

NEW ISSUE – BOOK-ENTRY ONLY



Ratings: *Fitch:* “AAA”

Moody’s: “Aa2”

See “MISCELLANEOUS – Ratings” herein.

In the opinion of Hawkins Delafield & Wood LLP, Bond Counsel to the District, under existing statutes and court decisions and assuming continuing compliance with certain tax covenants described herein, (i) interest on the Refunding Bonds is excluded from gross income for Federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the “Code”), and (ii) interest on the Refunding Bonds is not treated as a preference item in calculating the alternative minimum tax under the Code. In addition, in the opinion of Bond Counsel to the District, under existing statutes, interest on the Refunding Bonds is exempt from personal income taxes imposed by the State of California. See “TAX MATTERS” herein.



\$594,605,000

LOS ANGELES UNIFIED SCHOOL DISTRICT
(County of Los Angeles, California)
2019 General Obligation Refunding Bonds, Series A
(Dedicated Unlimited *Ad Valorem* Property Tax Bonds)

Dated: Date of Delivery

Due: As shown on inside cover

The Los Angeles Unified School District (County of Los Angeles, California) 2019 General Obligation Refunding Bonds, Series A (Dedicated Unlimited *Ad Valorem* Property Tax Bonds) (the “Refunding Bonds”) are being issued by the Los Angeles Unified School District (the “District”), located in the County of Los Angeles (the “County”), to refund and defease a portion of the Prior Bonds (defined herein) as more fully described herein. A portion of the proceeds of the Refunding Bonds will be used to pay the costs of issuance incurred in connection with the issuance of the Refunding Bonds. See “ESTIMATED SOURCES AND USES OF FUNDS” and “PLAN OF REFUNDING” herein. The Refunding Bonds are being issued under the laws of the State of California (the “State”) and the applicable authorizations received at elections held by the District as described herein, and pursuant to a resolution of the Board of Education.

The Refunding Bonds are general obligation bonds of the District secured by and payable from *ad valorem* property taxes to be levied within the District pursuant to the California Constitution and other State law. The Board of Supervisors of the County is empowered and is obligated to levy *ad valorem* taxes upon all property subject to taxation by the District, without limitation as to rate or amount (except as to certain personal property which is taxable at limited rates), for the payment of principal of and interest on the Refunding Bonds, all as more fully described herein. See “SECURITY AND SOURCE OF PAYMENT FOR THE REFUNDING BONDS” herein.

Interest on the Refunding Bonds is payable on each January 1 and July 1 to maturity, commencing July 1, 2019. Principal of the Refunding Bonds is payable on January 1 or July 1 in each of the years and in the amounts set forth on the inside front cover hereof.

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

The Refunding Bonds are subject to redemption prior to their respective stated maturity dates as described herein. See “THE REFUNDING BONDS – Redemption” herein.

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

The Refunding Bonds were awarded to BofA Securities, Inc. pursuant to competitive bidding which was held on May 7, 2019, as set forth in the Notice Inviting Bids, dated April 23, 2019. The Refunding Bonds will be offered when, as and if issued by the District, subject to the approval of legality by Hawkins Delafield & Wood LLP, Los Angeles, California, Bond Counsel to the District. Certain legal matters will be passed upon for the District by Orrick, Herrington & Sutcliffe LLP, Irvine, California, as Disclosure Counsel to the District. It is anticipated that the Refunding Bonds, in definitive form, will be available for delivery through the facilities of DTC on or about May 29, 2019.

Dated: May 7, 2019, as amended on May 13, 2019.

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

\$594,605,000

**LOS ANGELES UNIFIED SCHOOL DISTRICT
(County of Los Angeles, California)
2019 General Obligation Refunding Bonds, Series A
(Dedicated Unlimited *Ad Valorem* Property Tax Bonds)**

Base CUSIP[†] Number: 544647

Maturity	Principal Amount	Interest Rate	Initial Public Offering Yield	Price	CUSIP[†] Suffix
July 1, 2019	\$12,240,000	5.000%	1.350%	100.321%	AL4
July 1, 2020	37,070,000	5.000	1.350	103.930	AM2
July 1, 2021	29,250,000	5.000	1.370	107.448	AN0
July 1, 2022	30,705,000	5.000	1.420	110.780	AP5
July 1, 2023	32,240,000	5.000	1.500	113.829	AQ3
July 1, 2024	33,860,000	5.000	1.630	116.392	AR1
July 1, 2025	35,540,000	5.000	1.670	119.201	AS9
July 1, 2026	37,320,000	5.000	1.680	122.098	AT7
July 1, 2027	39,190,000	5.000	1.700	124.839	AU4
July 1, 2028	41,140,000	5.000	1.790	126.813	AV2
July 1, 2029	43,205,000	5.000	1.900	128.337	AW0
July 1, 2030	45,360,000	5.000	2.030	126.969 ^C	AX8
July 1, 2031	47,635,000	5.000	2.100	126.240 ^C	AY6
July 1, 2032	50,015,000	5.000	2.150	125.723 ^C	AZ3
July 1, 2033	52,520,000	4.000	2.400	114.259 ^C	BA7
January 1, 2034	27,315,000	3.000	2.930	100.605 ^C	BB5

[†] CUSIP® is a registered trademark of The American Bankers Association. CUSIP Global Services (CGS) is managed on behalf of The American Bankers Association by S&P Capital IQ. Copyright(c) 2019 CUSIP Global Services. All rights reserved. CUSIP® data herein is provided by CUSIP Global Services. This data is not intended to create a database and does not serve in any way as a substitute for the CGS database. CUSIP® numbers are provided for convenience of reference only. None of the District, the Underwriter or their respective agents or counsel assume responsibility for the accuracy of such numbers.

^C Priced to call at par on July 1, 2029.

**LOS ANGELES UNIFIED SCHOOL DISTRICT
BOARD OF EDUCATION**

<u>District</u>	<u>Member</u>	<u>Term Ending</u>
2	Mónica García, President	December 11, 2022
4	Nick Melvoin, Vice President	December 11, 2022
1	George McKenna	December 13, 2020
3	Scott Schmerelson	December 13, 2020
5	(Vacant) [†]	December 13, 2020
6	Kelly Gonez	December 11, 2022
7	Richard Vladovic	December 13, 2020

DISTRICT OFFICIALS

Austin Beutner, Superintendent
David Holmquist, General Counsel
Dr. Scott Price, Chief Financial Officer
V. Luis Buendia, Controller
Timothy S. Rosnick, Deputy Controller

BOND COUNSEL

Hawkins Delafield & Wood LLP
Los Angeles, California

DISCLOSURE COUNSEL

Orrick, Herrington & Sutcliffe LLP
Los Angeles, California

MUNICIPAL ADVISOR

Fieldman, Rolapp & Associates, Inc.
Irvine, California

PAYING AGENT

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

ESCROW AGENT

U.S. Bank National Association
Los Angeles, California

VERIFICATION AGENT

Causey Demgen & Moore P.C.
Denver, Colorado

[†] On March 5, 2019, the District conducted a special election for a board member to represent District 5. Since no candidate received a majority of the vote at such special election, a runoff election will be held on May 14, 2019 between Jackie Goldberg and Heather Repenning, the two candidates who received the most votes at such special election. See APPENDIX A – “DISTRICT FINANCIAL INFORMATION AND REGIONAL ECONOMIC AND DEMOGRAPHIC INFORMATION – DISTRICT GENERAL INFORMATION - District Governance; Senior Management.”

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

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

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITER OF THE REFUNDING BONDS (THE "UNDERWRITER") MAY OVERALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICES OF THE REFUNDING BONDS AT LEVELS ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME. THE UNDERWRITER MAY OFFER AND SELL THE REFUNDING BONDS TO CERTAIN SECURITIES DEALERS AND DEALER BANKS AND BANKS ACTING AS AGENT AT PRICES LOWER THAN THE PUBLIC OFFERING PRICES STATED ON THE INSIDE FRONT COVER PAGE HEREOF AND SAID PUBLIC OFFERING PRICES MAY BE CHANGED FROM TIME TO TIME BY THE UNDERWRITER.

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

The District maintains a website at www.lausd.net. However, reference to such website address is for informational purposes only. Unless specified otherwise, such website and the information or links contained therein are not incorporated by reference herein, should not be relied upon in making an investment decision with respect to the Refunding Bonds, and are not part of this Official Statement for purposes of and as that term is defined in Rule 15c2-12 adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934.

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

TABLE OF CONTENTS

	Page
INTRODUCTION	1
General.....	1
Changes from the Preliminary Official Statement.....	1
The District	2
The District’s General Obligation Bond Program	2
Authority and Purpose for Issuance of the Refunding Bonds.....	4
Security and Source of Payment for the Refunding Bonds	4
Other Information	5
PLAN OF REFUNDING.....	6
ESTIMATED SOURCES AND USES OF FUNDS	8
THE REFUNDING BONDS	8
General Provisions	8
Redemption.....	9
Defeasance and Unclaimed Moneys.....	10
SECURITY AND SOURCE OF PAYMENT FOR THE REFUNDING BONDS.....	12
General Description	12
Statutory Lien on Taxes (Senate Bill 222).....	12
Pledge of Tax Revenues.....	13
California Constitutional and Statutory Provisions Relating to Ad Valorem Property Taxes.....	14
Assessed Valuation of Property Within the District.....	15
Tax Rates, Levies and Collections.....	21
Debt Service.....	25
Aggregate Fiscal Year Debt Service.....	25
The District’s General Obligation Bond Program and Bonding Capacity	27
Overlapping Debt Obligations	27
TAX MATTERS.....	29
LEGAL MATTERS.....	31
Possible Limitations on Remedies; Bankruptcy	31
Amounts Held in County Treasury Pool.....	33
Legality for Investment in the State.....	34
Continuing Disclosure	34
Certain Legal Matters	34
FINANCIAL STATEMENTS.....	34
LITIGATION.....	35

TABLE OF CONTENTS
(continued)

	Page
MISCELLANEOUS	35
Ratings	35
Municipal Advisor	36
Verification of Mathematical Computations	36
Underwriting	36
Additional Information	36
Execution and Delivery.....	37
APPENDIX A DISTRICT FINANCIAL INFORMATION AND REGIONAL ECONOMIC AND DEMOGRAPHIC INFORMATION	A-1
APPENDIX B AUDITED ANNUAL FINANCIAL REPORT OF THE DISTRICT FOR FISCAL YEAR ENDED JUNE 30, 2018.....	B-1
APPENDIX C BOOK-ENTRY ONLY SYSTEM.....	C-1
APPENDIX D PROPOSED FORM OF OPINION OF BOND COUNSEL	D-1
APPENDIX E FORM OF CONTINUING DISCLOSURE CERTIFICATE.....	E-1
APPENDIX F THE LOS ANGELES COUNTY TREASURY POOL.....	F-1

\$594,605,000
LOS ANGELES UNIFIED SCHOOL DISTRICT
(County of Los Angeles, California)
2019 General Obligation Refunding Bonds, Series A
(Dedicated Unlimited *Ad Valorem* Property Tax Bonds)

INTRODUCTION

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

General

This Official Statement, which includes the cover page through the appendices hereto, is provided to furnish information in connection with the sale of \$594,605,000 aggregate principal amount of Los Angeles Unified School District (County of Los Angeles, California) 2019 General Obligation Refunding Bonds, Series A (Dedicated Unlimited *Ad Valorem* Property Tax Bonds) (the “Refunding Bonds”) to be offered by the Los Angeles Unified School District (the “District”).

The Refunding Bonds are issued by the District pursuant to certain provisions of the California Government Code and other applicable law, the applicable authorizations received at elections held by the District as described herein, and a resolution adopted by the Board of Education of the District (the “District Board”) on November 13, 2018 (the “Refunding Resolution”). See “– Authority and Purpose for Issuance of the Refunding Bonds” below. The Refunding Bonds are being issued to refund and defease a portion of the Prior Bonds (defined herein). A portion of the proceeds of the Refunding Bonds will be used to pay the costs of issuance incurred in connection with the issuance of the Refunding Bonds. See “ESTIMATED SOURCES AND USES OF FUNDS” and “PLAN OF REFUNDING.”

THE REFUNDING BONDS ARE GENERAL OBLIGATION BONDS OF THE DISTRICT SECURED BY AND PAYABLE FROM *AD VALOREM* TAXES TO BE LEVIED UPON ALL PROPERTY SUBJECT TO TAXATION BY THE DISTRICT, WITHOUT LIMITATION AS TO RATE OR AMOUNT (EXCEPT AS TO CERTAIN PERSONAL PROPERTY WHICH IS TAXABLE AT LIMITED RATES). THE REFUNDING BONDS ARE NOT AN OBLIGATION OF THE COUNTY OF LOS ANGELES, THE STATE OF CALIFORNIA, OR OF THE GENERAL FUND OF THE DISTRICT. SEE “SECURITY AND SOURCE OF PAYMENT FOR THE REFUNDING BONDS.”

Changes from the Preliminary Official Statement

Since April 23, 2019, the date of the Preliminary Official Statement relating to the Refunding Bonds, the Governor released the May revision to the proposed fiscal year 2019-20 State budget (the “2019-20 May Revision”) on May 9, 2019. Accordingly, this final Official

Statement includes, in addition to pricing information relating to the Refunding Bonds, information regarding the 2019-20 May Revision in Appendix A.

The District

The District, encompassing approximately 710 square miles, is located in the western section of the County of Los Angeles (the “County”) in the State of California (the “State”). The District’s boundaries include virtually all of the City of Los Angeles (the “City”), all of the Cities of Cudahy, Gardena, Huntington Park, Lomita, Maywood, San Fernando, Vernon and West Hollywood, and portions of the Cities of Bell, Bell Gardens, Beverly Hills, Calabasas, Carson, Commerce, Culver City, Hawthorne, Inglewood, Long Beach, Lynwood, Montebello, Monterey Park, Rancho Palos Verdes, Santa Clarita, South Gate, and Torrance. In addition, the District provides services to several unincorporated areas of the County which include residential and industrial areas.

The District is the second largest public school district in the United States and is the largest public school district in the State. Based on the District’s second interim report for fiscal year 2018-19 (the “Fiscal Year 2018-19 Second Interim Report”), the projected K-12 enrollment in the District for fiscal year 2018-19 consists of 598,744 students, including those attending fiscally independent charter schools (“Fiscally Independent Charter Schools”), magnet, opportunity, and continuation schools and centers, locally-funded affiliated charter schools (“Affiliated Charter Schools”), and schools for the handicapped. As of June 30, 2018, the District operated 1,063 schools and centers, which consisted of 448 elementary schools, 82 middle/junior high schools, 94 senior high schools, 54 options schools, 177 magnet centers, 49 magnet schools, 25 multi-level schools, 14 special education schools, 2 community adult schools, 6 regional occupational centers, 3 skills centers, 86 early education centers, 4 infant centers, and 19 primary school centers. As of June 30, 2018, 53 of the District’s schools were operated as Affiliated Charter Schools. In addition, as of June 30, 2018, the District oversaw 224 Fiscally Independent Charter Schools within the District’s boundaries.

Additional information on the District is set forth in Appendices A and B hereto. See APPENDIX A – “DISTRICT FINANCIAL INFORMATION AND REGIONAL ECONOMIC AND DEMOGRAPHIC INFORMATION” and APPENDIX B – “AUDITED ANNUAL FINANCIAL REPORT OF THE DISTRICT FOR FISCAL YEAR ENDED JUNE 30, 2018.”

The District’s General Obligation Bond Program

Voters within the District have approved a total of \$20,605,000,000 of general obligation bonds in five separate bond elections since 1997, as delineated in Table 1 below, a portion of which are currently outstanding. A total of \$15,061,815,000 of the approved general obligation bonds has been issued, with \$5,543,185,000 remaining to be issued under the bond authorizations listed below (collectively, the “Authorizations”). See “SECURITY AND SOURCE OF PAYMENT FOR THE REFUNDING BONDS – The District’s General Obligation Bond Program and Bonding Capacity.”

TABLE 1
LOS ANGELES UNIFIED SCHOOL DISTRICT
General Obligation Bond Authorizations

Bond Authorization	Date Authorized by Voters	Percentage Approval⁽¹⁾	Amount Authorized (\$ Billions)	Amount Issued⁽²⁾ (\$ Billions)	Amount Unissued⁽²⁾ (\$ Billions)	Purposes
Proposition BB	April 8, 1997	71%	\$ 2.400	\$ 2.400	\$0.000	Health and safety improvements, computer technology and science labs, air conditioning and new construction
Measure K	November 5, 2002	68	3.350	3.350	0.000	New construction, acquisition, rehabilitation and upgrading of specifically identified school facilities
Measure R	March 2, 2004	63	3.870	3.710	0.160	New construction, acquisition, rehabilitation and upgrading of specifically identified school facilities, and installation and upgrading of information-technology infrastructure
Measure Y	November 8, 2005	66	3.985	3.733	0.252	New construction, acquisition, rehabilitation and upgrading of specifically identified school facilities, and installation and upgrading of information-technology infrastructure
Measure Q	November 4, 2008	69	7.000	1.869	5.131	New construction, acquisition, rehabilitation and upgrading of specifically identified school facilities, and installation and upgrading of information-technology infrastructure
Total			<u>\$20.605</u>	<u>\$15.062</u>	<u>\$5.543</u>	

⁽¹⁾ Measure K, Measure R, Measure Y and Measure Q were approved pursuant to the provisions of Proposition 39, which requires approval of at least 55% of voters voting on the proposition. Proposition BB was approved pursuant to the provisions of Proposition 46, which requires approval of at least two-thirds of voters voting on the proposition.

⁽²⁾ See APPENDIX A – “DISTRICT FINANCIAL INFORMATION AND REGIONAL ECONOMIC AND DEMOGRAPHIC INFORMATION – DISTRICT FINANCIAL INFORMATION – District Debt – *General Obligation Bonds*” attached hereto for the amounts of outstanding general obligation bonds under the referenced Authorizations. Excludes general obligation refunding bonds.

Source: Los Angeles Unified School District.

In addition to the bond proceeds from the five Authorizations referred to above, the District has received State-matching funds and other revenue sources to fund the general obligation bond program's various projects. The District may continue to receive other revenue sources, including State-matching funds; however, additional funding is not guaranteed. The District's general obligation bond program has completed all projects that enabled the District to operate all schools on a traditional two-semester calendar in the 2017-18 school year. In addition, more than 21,900 repair and school modernization projects, which are intended to upgrade facilities and improve the learning environment for students, have been completed. The program includes, among other things, various school facilities improvements for computer technology, sustainability, information technology systems and school buses.

Authority and Purpose for Issuance of the Refunding Bonds

The Refunding Bonds are issued pursuant to Articles 9 and 11 of Chapter 3 of Part 1 of Division 2 of Title 5 of the California Government Code and other applicable law, the applicable Authorizations described in Table 1 herein, and the Refunding Resolution. The proceeds of the Refunding Bonds will, after payment of costs of issuance therefor, be used to refund and defease a portion of the Prior Bonds. See "PLAN OF REFUNDING" and "ESTIMATED SOURCES AND USES OF FUNDS."

Security and Source of Payment for the Refunding Bonds

The Refunding Bonds are payable from *ad valorem* property taxes to be levied within the District pursuant to the California Constitution and other state law. The Board of Supervisors of the County is empowered and is obligated to levy *ad valorem* taxes upon all property subject to taxation by the District, without limitation as to rate or amount (except as to certain personal property which is taxable at limited rates), for the payment of principal of and interest on the Refunding Bonds, all as more fully described herein. Such *ad valorem* property taxes are deposited in the related interest and sinking fund of the District (the "Interest and Sinking Fund") which is held by the County and may only be applied to pay the principal of, redemption premium, if any, and interest on the Refunding Bonds.

Pursuant to Section 53515 of the California Government Code (which became effective on January 1, 2016, as part of Senate Bill 222), all general obligation bonds issued by local agencies, including refunding bonds (including the Refunding Bonds), will be secured by a statutory lien on all revenues received pursuant to the levy and collection of the tax. Section 53515 of the California Government Code provides that the lien will automatically arise, without the need for any action or authorization by the local agency or its governing board, and will be valid and binding from the time such bonds are executed and delivered. Section 53515 of the California Government Code further provides that the revenues received pursuant to the levy and collection of the tax will be immediately subject to the lien, and the lien will immediately attach to the revenues and be effective, binding and enforceable against the local agency, its successors, transferees and creditors, and all others asserting rights therein, irrespective of whether those parties have notice of the lien and without the need for physical delivery, recordation, filing or further act. See "SECURITY AND SOURCE OF PAYMENT FOR THE REFUNDING BONDS – Statutory Lien on Taxes (Senate Bill 222)."

In addition, the District has pledged all revenues from the property taxes collected from the levy by the Board of Supervisors of the County and amounts on deposit in the Interest and Sinking Fund for the payment of the Refunding Bonds. The Refunding Resolution provides that such pledge is valid and binding from the date thereof for the benefit of the owners of the Refunding Bonds. The Refunding Resolution provides that the property taxes and amounts held in the Interest and Sinking Fund are immediately subject to the pledge, and the pledge constitutes a lien and security interest which shall immediately attach to the property taxes and amounts held in the Interest and Sinking Fund to secure the payment of the Refunding Bonds and, pursuant to the Refunding Resolution, is effective, binding, and enforceable against the District, its successors, creditors and all others irrespective of whether those parties have notice of the pledge and without the need of any physical delivery, recordation, filing, or further act. See “SECURITY AND SOURCE OF PAYMENT FOR THE REFUNDING BONDS.”

Other Information

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

PLAN OF REFUNDING

A portion of the proceeds of the Refunding Bonds will be applied to refund, on a current basis, and defease a portion of the District’s outstanding general obligation bonds identified below (collectively, the “Prior Bonds”):

**Los Angeles Unified School District
(County of Los Angeles, California)
General Obligation Bonds, Election of 2002, Series D (2009)
(Measure K)**

Maturity Date	Principal Amount	Interest Rate	Redemption Date	Redemption Price	CUSIP (544646)
July 1, 2020	\$ 8,565,000	5.000%	July 1, 2019	100%	SE3
July 1, 2021	8,995,000	5.000	July 1, 2019	100	SF0
July 1, 2022	700,000	4.500	July 1, 2019	100	SG8
July 1, 2022	8,745,000	5.000	July 1, 2019	100	SH6
July 1, 2023	725,000	4.700	July 1, 2019	100	SJ2
July 1, 2023	9,185,000	5.250	July 1, 2019	100	SK9
July 1, 2024	10,430,000	5.250	July 1, 2019	100	SL7
July 1, 2025	10,975,000	5.250	July 1, 2019	100	SM5
July 1, 2026	11,550,000	5.000	July 1, 2019	100	SN3
July 1, 2027	12,130,000	5.000	July 1, 2019	100	SP8
July 1, 2029	26,135,000	5.200	July 1, 2019	100	SQ6
January 1, 2034	21,230,000	5.300	July 1, 2019	100	SR4
January 1, 2034	48,190,000	5.000	July 1, 2019	100	SS2

**Los Angeles Unified School District
(County of Los Angeles, California)
General Obligation Bonds, Election of 2004, Series I (2009)
(Measure R)**

Maturity Date	Principal Amount	Interest Rate	Redemption Date	Redemption Price	CUSIP (544646)
July 1, 2020	\$ 19,065,000	5.000%	July 1, 2019	100%	TF9
July 1, 2021	20,020,000	5.000	July 1, 2019	100	TG7
July 1, 2022	21,020,000	5.250	July 1, 2019	100	TH5
July 1, 2023	22,120,000	5.250	July 1, 2019	100	TJ1
July 1, 2024	23,285,000	5.000	July 1, 2019	100	TK8
July 1, 2025	24,445,000	5.000	July 1, 2019	100	TL6
July 1, 2026	25,670,000	5.000	July 1, 2019	100	TM4
July 1, 2027	26,955,000	5.000	July 1, 2019	100	TN2
July 1, 2029	58,015,000	5.000	July 1, 2019	100	TP7
January 1, 2034	153,445,000	5.000	July 1, 2019	100	TQ5

**Los Angeles Unified School District
(County of Los Angeles, California)
General Obligation Bonds, Election of 2005, Series F (2009)
(Measure Y)**

Maturity Date	Principal Amount	Interest Rate	Redemption Date	Redemption Price	CUSIP (544646)
July 1, 2020	\$ 5,190,000	4.125%	July 1, 2019	100%	UD2
July 1, 2021	5,405,000	5.000	July 1, 2019	100	UE0
July 1, 2022	5,675,000	5.000	July 1, 2019	100	UF7
July 1, 2023	5,960,000	5.250	July 1, 2019	100	UG5
July 1, 2024	6,275,000	5.250	July 1, 2019	100	UH3
July 1, 2025	6,600,000	5.250	July 1, 2019	100	UJ9
July 1, 2026	6,950,000	5.000	July 1, 2019	100	UK6
July 1, 2027	7,295,000	5.000	July 1, 2019	100	UL4
July 1, 2029	15,705,000	5.000	July 1, 2019	100	UM2
January 1, 2034	41,540,000	5.000	July 1, 2019	100	UN0

**Los Angeles Unified School District
(County of Los Angeles, California)
General Obligation Bonds, Series KRY (2009)
(Tax-Exempt)**

Maturity Date	Principal Amount	Interest Rate	Redemption Date	Redemption Price	CUSIP (544646)
July 1, 2020	\$9,440,000	5.00%	July 1, 2019	100%	YU0

A portion of the proceeds from the Refunding Bonds will be deposited into an escrow fund (the “Escrow Fund”) established with respect to the Prior Bonds under an escrow agreement dated as of May 1, 2019, by and between the District and U.S. Bank National Association, as escrow bank (in such capacity, the “Escrow Agent”). The proceeds of the Refunding Bonds deposited into the Escrow Fund may be uninvested until applied to redeem the Prior Bonds or invested in accordance with the resolutions authorizing the issuance of each series of the Prior Bonds. The amount deposited in the Escrow Fund, together with investment earnings thereon if amounts in the Escrow Fund are invested, will be sufficient to fully pay the interest due on the Prior Bonds and the redemption price of 100% of the principal amount of the Prior Bonds, on July 1, 2019, the redemption date therefor. The mathematical computations used to determine the sufficiency of the escrow deposit will be verified by the Verification Agent (defined herein). See “MISCELLANEOUS – Verification of Mathematical Computations.”

ESTIMATED SOURCES AND USES OF FUNDS

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

TABLE 2
ESTIMATED SOURCES AND USES OF FUNDS

Estimated Sources of Funds	
Principal Amount	\$594,605,000.00
Original Issue Premium	<u>110,324,766.75</u>
Total Sources	<u><u>\$704,929,766.75</u></u>
Estimated Uses of Funds	
Deposit to Escrow Fund	\$703,626,774.42
Underwriter's Discount	660,011.55
Costs of Issuance ⁽¹⁾	<u>642,980.78</u>
Total Uses	<u><u>\$704,929,766.75</u></u>

⁽¹⁾ Includes fees of Bond Counsel (defined herein), Disclosure Counsel (defined herein), Paying Agent, Escrow Agent, Municipal Advisor (defined herein), rating agencies, printer, escrow securities bidding agent and Verification Agent (defined herein), and other miscellaneous expenses.

THE REFUNDING BONDS

General Provisions

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

The Refunding Bonds mature in the years and on the dates set forth on the inside front cover page hereof. Interest on the Refunding Bonds is payable on each January 1 and July 1 to maturity, commencing on July 1, 2019 (each, an "Interest Payment Date"). Interest on the Refunding Bonds will be computed on the basis of a 360-day year of twelve 30-day months. Each Refunding Bond will bear interest from the Interest Payment Date next preceding the date of authentication thereof, unless it is authenticated as of a date during the period from the 15th day of the calendar month immediately preceding such Interest Payment Date, inclusive, whether or not such day is a business day (each, a "Record Date") to such Interest Payment Date, in

which event it shall bear interest from such Interest Payment Date, or unless it is authenticated on or before the Record Date preceding the first Interest Payment Date, in which event it shall bear interest from the date of delivery of the Refunding Bonds.

Redemption

Optional Redemption. The Refunding Bonds maturing on or after July 1, 2030, are subject to redemption prior to their respective stated maturity dates, at the option of the District, from any source of available funds, as a whole or in part on any date on or after July 1, 2029, at a redemption price equal to the principal amount of the Refunding Bonds called for redemption, together with interest accrued thereon to the date of redemption, without premium.

Selection of Refunding Bonds upon Redemption. If less than all of the Refunding Bonds, if any, are subject to such redemption and are called for redemption, such Refunding Bonds shall be redeemed as directed by the District.

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

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

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

When notice of redemption has been given substantially as provided for in the Refunding Resolution, and when the redemption price of the Refunding Bonds called for redemption is set aside for the purpose as described in the Refunding Resolutions, the Refunding Bonds designated for redemption shall become due and payable on the specified redemption date and interest shall cease to accrue thereon as of the redemption date, and upon presentation and surrender of such

Refunding Bonds at the place specified in the notice of redemption, such Refunding Bonds are required to be redeemed and paid at the redemption price thereof out of the money provided therefor. The Owners of such Refunding Bonds so called for redemption after such redemption date shall be entitled to payment thereof only from the Interest and Sinking Fund or the trust fund established for such purpose. All Refunding Bonds redeemed will be cancelled forthwith by the Paying Agent and will not be reissued.

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

Redemption Fund. Prior to or on the redemption date of any Refunding Bonds, there shall be available in the Interest and Sinking Fund, or held in trust for such purpose as provided by law, monies for the purpose and sufficient to redeem, at the redemption prices as provided in the Refunding Resolution, the Refunding Bonds designated in the notice of redemption. Such monies shall be applied on or after the redemption date solely for payment of principal of and premium, if any, and interest due on the Refunding Bonds to be redeemed upon presentation and surrender of such Refunding Bonds, provided that all monies in the Interest and Sinking Fund shall be used for the purposes established and permitted by law. Any interest due on or prior to the redemption date shall be paid from the Interest and Sinking Fund, unless otherwise provided to be paid from such monies held in trust. If, after all of the Refunding Bonds have been redeemed and cancelled or paid and cancelled, there are monies remaining in the Interest and Sinking Fund or otherwise held in trust for the payment of redemption price of the Refunding Bonds, the monies shall be held in or returned or transferred to the Interest and Sinking Fund for payment of any outstanding bonds of the District payable from such fund; provided, however, that if the monies are part of the proceeds of bonds of the District, the monies shall be transferred to the fund created for the payment of principal of and interest on such bonds. If no such bonds of the District are at such time outstanding, the monies shall be transferred to the general fund of the District as provided and permitted by law.

Defeasance and Unclaimed Moneys

Defeasance. If at any time the District pays or causes to be paid or there shall otherwise be paid to the Owners of any or all of the outstanding Refunding Bonds all or any part of the principal of and premium, if any, and interest on such Refunding Bonds at the times and in the manner provided in the Refunding Resolution and in such Refunding Bonds, or as provided in the following paragraph, or as otherwise provided by law consistent herewith, then such Owners of such Refunding Bonds shall cease to be entitled to the obligation of the District as provided in the Refunding Resolution, and such obligation and all agreements and covenants of the District

and of the County to such Owners under the Refunding Resolution and under such Refunding Bonds shall thereupon be satisfied and discharged and shall terminate, except only that the District shall remain liable for payment of all principal of and premium, if any, and interest on such Refunding Bonds, but only out of monies on deposit in the Interest and Sinking Fund or otherwise held in trust for such payment; and provided further, however, that the provisions of the Refunding Resolution shall apply in all events. See “– *Unclaimed Moneys*” below.

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

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

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

any, and interest on such bonds or other obligations on the maturity date or dates thereof or on the redemption date or dates specified in the irrevocable instructions referred to in clause (i) above, as applicable.

Unclaimed Moneys. Any money held in any fund created pursuant to the Refunding Resolution, or by the Paying Agent or an escrow agent in trust, for the payment of the principal of and premium, if any, and interest on the Refunding Bonds and remaining unclaimed for two years after the principal of all of the Refunding Bonds has become due and payable (whether by maturity or upon prior redemption) shall be transferred to the Interest and Sinking Fund for payment of any outstanding bonds of the District payable from the fund; or, if no such bonds of the District are at such time outstanding, the monies shall be transferred to the general fund of the District as provided and permitted by law.

SECURITY AND SOURCE OF PAYMENT FOR THE REFUNDING BONDS

General Description

The Refunding Bonds are payable from *ad valorem* property taxes to be levied within the District pursuant to the California Constitution and other state law. In order to provide sufficient funds for repayment of principal and interest when due on the Refunding Bonds, the Board of Supervisors of the County is empowered and is obligated to levy *ad valorem* taxes upon all property subject to taxation by the District, without limitation as to rate or amount (except as to certain personal property which is taxable at limited rates), for the payment of principal of and interest on the Refunding Bonds. When collected, such *ad valorem* property taxes are required by law to be deposited in the Interest and Sinking Fund, which is required to be maintained by the County and may only be applied to pay the principal of, redemption premium, if any, and interest on the Refunding Bonds. Such taxes are in addition to, but separate from, other taxes levied upon property within the District that are deposited by the County in the General Fund of the District.

Under California law, the District's funds are required to be held by the Treasurer and Tax Collector of the County (the "County Treasurer"). All funds held by the County Treasurer in the Interest and Sinking Fund are expected to be invested at the discretion of the County Treasurer on behalf of the District in such investments as are authorized by Section 53601 and following of the California Government Code and the investment policy of the County, as either may be amended or supplemented from time to time. See APPENDIX F – "THE LOS ANGELES COUNTY TREASURY POOL."

Statutory Lien on Taxes (Senate Bill 222)

Pursuant to Section 53515 of the California Government Code (which became effective on January 1, 2016), all general obligation bonds issued by local agencies, including refunding bonds (including the Refunding Bonds), will be secured by a statutory lien on all revenues received pursuant to the levy and collection of the tax. Section 53515 provides that the lien will automatically arise, without the need for any action or authorization by the local agency or its governing board, and will be valid and binding from the time such bonds are executed and delivered. Section 53515 further provides that the revenues received pursuant to the levy and

collection of the tax will be immediately subject to the lien, and the lien will immediately attach to the revenues and be effective, binding and enforceable against the local agency, its successor, transferees and creditors, and all others asserting rights therein, irrespective of whether those parties have notice of the lien and without the need for physical delivery, recordation, filing or further act.

This statutory lien, by its terms, secures not only the Refunding Bonds, but also any other bonds of the District payable, as to both principal and interest, from the proceeds of *ad valorem* taxes that may be levied pursuant to paragraphs (2) and (3) of subdivision (b) of Section 1 of Article XIII A of the California Constitution. The statutory lien provision does not specify the relative priority of obligations so secured or a method of allocation in the event that the revenues received pursuant to the levy and collection of the tax are insufficient to pay all amounts then due and owing that are secured by the statutory lien.

Pledge of Tax Revenues

The District has pledged all revenues from the *ad valorem* property taxes collected from the levy by the Board of Supervisors of the County and amounts on deposit in the Interest and Sinking Fund for the payment of the Refunding Bonds. The Refunding Resolution provides that such pledge is valid and binding from the date thereof for the benefit of the owners of the Refunding Bonds. The Refunding Resolution also provides that the property taxes and amounts held in the Interest and Sinking Fund are immediately subject to the pledge, and the pledge constitutes a lien and security interest which shall immediately attach to the property taxes and amounts held in the Interest and Sinking Fund to secure the payment of the Refunding Bonds and, pursuant to the Refunding Resolution, is effective, binding, and enforceable against the District, its successors, creditors and all others irrespective of whether those parties have notice of the pledge and without the need of any physical delivery, recordation, filing, or further act. The Refunding Resolution provides that this pledge constitutes an agreement between the District and the owners of Refunding Bonds to provide security for the Refunding Bonds in addition to any statutory lien that may exist, and the Refunding Bonds secured by the pledge are issued to refinance one or more of the projects specified in the applicable voter-approved measures and not to finance the general purposes of the District.

The pledge of tax revenues provided for in the Refunding Resolution specifies that said lien secures the Refunding Bonds and other refunding bonds that may be issued under the Refunding Resolution. Further, previous general obligation bonds of the District have been issued under resolutions which pledge tax revenues to secure the general obligation bonds and the general obligation refunding bonds issued thereunder and the District may provide for a similar pledge of tax revenues in resolutions adopted in the future that authorize general obligation bonds and general obligation refunding bonds. The Refunding Resolution does not specify the relative priority of obligations so secured or a method of allocation in the event that the revenues received pursuant to the levy and collection of the tax are insufficient to pay all amounts then due and owing that are secured by the lien of the pledges.

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

Article XIII A of the California Constitution. On June 6, 1978, California voters approved Proposition 13, adding Article XIII A to the California Constitution. Article XIII A limits the amount of any *ad valorem* tax on real property to one percent of the full cash value thereof, except that additional *ad valorem* taxes may be levied to pay debt service (i) on indebtedness approved by the voters prior to July 1, 1978, (ii) (as a result of an amendment to Article XIII A approved by California voters on June 3, 1986) on bonded indebtedness for the acquisition or improvement of real property that has been approved on or after July 1, 1978 by two-thirds of the voters voting on such indebtedness, and (iii) (as a result of a constitutional amendment approved by California voters on November 7, 2000) on bonded indebtedness incurred for the construction, reconstruction, rehabilitation, or replacement of school facilities, including the furnishing and equipping of school facilities, or the acquisition or lease of real property for school facilities, approved by 55 percent of the voters voting on the bond measure. Article XIII A effectively prohibits the levying of any other *ad valorem* property tax above the 1% limit except for taxes to support indebtedness approved by the voters as described above.

Article XIII A defines full cash value to mean “the county assessor’s valuation of real property as shown on the 1975-1976 tax bill under full ‘cash value,’ or thereafter, the appraised value of real property when purchased, newly constructed, or a change in ownership have occurred after the 1975 assessment.” Assessed value may be adjusted annually to reflect inflation at a rate not to exceed 2% per year, or to reflect a reduction in the consumer price index or comparable data for the area under taxing jurisdiction, or may be reduced in the event of declining property value caused by substantial damage, destruction or other factors. As a result, property that has been owned by the same taxpayer for many years can have an assessed value that is much lower than the market value of the property. Similar property that has recently been acquired may have a substantially higher assessed value reflecting the recent acquisition price. Increases in assessed value in a taxing area due to the change in ownership of property may occur even when the rate of inflation or consumer price index do not permit an increase in assessed valuation of property that does not change ownership. Proposition 13 has had the effect of stabilizing assessed valuation such that it does not fluctuate as significantly as the market value of property, but instead gradually changes as longer owned residential properties are transferred and reassessed upon such transfer. On June 18, 1992, the United States Supreme Court issued a decision upholding the constitutionality of Article XIII A (*Nordlinger v. Hahn*, 112 S. Ct. 2326, 120 L. Ed. 2d 1 (1992)).

Article XIII A has subsequently been amended to permit reduction of the full cash value base in the event of declining property values caused by damage, destruction or other factors, to provide that there would be no increase in the full cash value base in the event of reconstruction of property damaged or destroyed in a disaster and in other minor or technical ways. Proposition 8, approved by the voters in November of 1978, provides for the enrollment of the lesser of the base year value or the market value of real property, taking into account reductions in value due to damage, destruction, depreciation, obsolescence, removal of property, or other factors causing a similar decline. In these instances, the market value is required to be reviewed annually until the market value exceeds the base year value. The assessed value increases to its pre-reduction level (escalated to the annual inflation rate of no more than two percent) following the year(s) for which the reduction is applied. Reductions in assessed value could result in a

corresponding increase in the annual tax rate levied by the County to pay debt service on the Refunding Bonds.

Legislation Implementing Article XIII A. Legislation has been enacted and amended a number of times since 1978 to implement Article XIII A. Under current law, local agencies are no longer permitted to levy directly any property tax (except to pay voter-approved indebtedness). The one percent property tax is automatically levied by the county and distributed according to a formula among taxing agencies. The formula apportions the tax roughly in proportion to the relative shares of taxes levied prior to 1979.

Increases of assessed valuation resulting from reappraisals of property due to new construction, change in ownership or from the two percent annual adjustment are allocated among the various jurisdictions in the “taxing area” based upon their respective “situs.” Any such allocation made to a local agency continues as part of its allocation in future years. All taxable property is shown at full assessed value on the tax rolls. Consequently, the one percent tax rate is expressed as \$1 per \$100 of taxable value.

Prospective purchasers of the Refunding Bonds should be aware that, notwithstanding any decrease in assessed valuation for any fiscal year, the County is required to levy sufficient taxes to pay debt service on the Refunding Bonds. The consequence of any decrease in assessed valuation is a corresponding increase in the tax rate on taxable property so that sufficient tax revenues may be collected from taxpayers to cover debt service on the Refunding Bonds in full.

Assessed Valuation of Property Within the District

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

State law exempts \$7,000 of the full cash value of an owner-occupied dwelling from property tax, but this exemption does not result in any loss of revenue to local entities, including the District, because an amount equivalent to the taxes which would have been payable on such exempt values is paid by the State to the County for distribution to local agencies. The County levies property taxes on behalf of taxing agencies in the County for each fiscal year on taxable real and personal property which is situated in the County as of the preceding January 1. However, upon a change in ownership of property or completion of new construction, State law permits the County to recognize changes in the assessed valuation of real property before the next regular assessment role is complete in order to levy taxes based on the new assessed value. In such instances, the property is reassessed and a supplemental tax bill is sent to the new owner based on the new value prorated for the balance of the tax year.

The fiscal year 2018-19 Assessment Roll for property within the District’s boundaries reflects an increase of approximately 7.48% in assessed value from the prior year. Under State law, in addition to reassessments requested by property owners pursuant to Proposition 8 (1978) when the current market value of property is less than assessed value as of January 1, the county

assessor annually initiates reviews of property for reassessments due to decline-in-value. See “California Constitutional and Statutory Provisions Relating to *Ad Valorem* Property Taxes – *Legislation Implementing Article XIII A*” above.

TABLE 3
LOS ANGELES UNIFIED SCHOOL DISTRICT
Historical Gross Assessed Valuation of Taxable Property⁽¹⁾
Fiscal Years 2009-10 through 2018-19
(\$ in thousands)

Fiscal Year	Secured⁽²⁾	Unsecured	Total⁽²⁾	Change From Prior Year	Percent Change
2009-10	\$451,127,882	\$23,849,409	\$474,977,291	\$ 187,493	0.04%
2010-11	442,092,473	21,753,078	463,845,551	(11,131,740)	(2.34)
2011-12	447,830,204	21,265,021	469,095,225	5,249,674	1.13
2012-13	458,767,053	21,308,439	480,075,492	10,980,267	2.34
2013-14	482,043,584	21,634,336	503,677,920	23,602,428	4.92
2014-15	510,371,502	22,562,705	532,934,207	29,256,287	5.81
2015-16	546,807,059	23,362,404	570,169,464	37,235,287	6.99
2016-17	581,473,213	24,495,794	605,969,007	35,799,543	6.28
2017-18	619,162,082	25,342,665	644,504,747	38,535,740	6.36
2018-19	665,355,078	27,377,547	692,732,625	48,227,878	7.48

⁽¹⁾ Full cash value.

⁽²⁾ Includes utility valuations.

Sources: Los Angeles Unified School District Comprehensive Annual Financial Report for fiscal years 2009-10 through 2017-18 and Los Angeles County Auditor-Controller for fiscal year 2018-19.

Assessed Valuation by Jurisdiction. The following Table 4 describes the percentage and value of the total assessed value of the property within the District’s boundaries that resides in the various cities and unincorporated portions of the County for fiscal year 2018-19.

**TABLE 4
LOS ANGELES UNIFIED SCHOOL DISTRICT
2018-19 Assessed Valuation by Jurisdiction**

Jurisdiction	Assessed Valuation in District	% of District	Assessed Valuation of Jurisdiction	% of Jurisdiction in District
City of Bell	\$ 1,494,005,242	0.22%	\$ 1,865,851,616	80.07%
City of Bell Gardens	58,658,214	0.01	1,805,948,793	3.25
City of Beverly Hills	183,849,053	0.03	34,312,118,090	0.54
City of Calabasas	686,028	0.00	8,431,648,784	0.01
City of Carson	13,415,966,932	1.94	15,231,382,131	88.08
City of Commerce	322,627,099	0.05	5,416,316,971	5.96
City of Cudahy	815,107,689	0.12	815,326,610	99.97
City of Culver City	52,197,662	0.01	11,041,010,983	0.47
City of Downey	620	0.00	17,764,870,372	0.00
City of Gardena	6,397,613,521	0.92	6,397,613,521	100.00
City of Hawthorne	728,413,801	0.11	8,189,909,990	8.89
City of Huntington Park	2,985,081,243	0.43	2,985,081,243	100.00
City of Inglewood	36,587,012	0.01	9,422,830,371	0.39
City of Lomita	2,386,266,746	0.34	2,386,266,746	100.00
City of Long Beach	409,795,000	0.06	57,611,235,602	0.71
City of Los Angeles	610,919,919,955	88.19	611,292,199,725	99.94
City of Lynwood	53,131,436	0.01	3,514,134,885	1.51
City of Maywood	1,054,556,267	0.15	1,054,556,267	100.00
City of Montebello	7,695,131	0.00	6,053,428,413	0.13
City of Monterey Park	246,641,479	0.04	7,651,050,516	3.22
City of Rancho Palos Verdes	1,263,179,961	0.18	12,971,266,058	9.74
City of San Fernando	1,942,294,308	0.28	1,942,294,308	100.00
City of Santa Clarita	50,548	0.00	32,625,928,276	0.00
City of Santa Monica	1,014,821	0.00	37,477,850,106	0.00
City of South Gate	4,864,662,753	0.70	5,898,927,399	82.47
City of Torrance	27,171,779	0.00	30,906,152,254	0.09
City of Vernon	5,392,014,909	0.78	5,392,014,909	100.00
City of West Hollywood	12,199,258,713	1.76	12,199,258,713	100.00
Unincorporated Los Angeles County	25,474,177,251	3.68	107,666,068,683	23.66
Total District	\$692,732,625,173	100.00%		
Los Angeles County	\$692,732,625,173	100.00%	\$1,518,401,584,349	45.62%

Source: California Municipal Statistics Inc.

Assessed Valuation by Land Use. The following Table 5 sets forth the assessed valuation by land use of property within the District in fiscal year 2018-19.

TABLE 5
LOS ANGELES UNIFIED SCHOOL DISTRICT
Assessed Valuation and Parcels by Land Use
Fiscal Year 2018-19

	<u>2018-19 Assessed Valuation⁽¹⁾</u>	<u>% of Total</u>	<u>No. of Parcels</u>	<u>% of Total</u>
Non-Residential:				
Commercial/Office Building	\$104,529,805,363	15.71%	50,401	5.26%
Industrial	68,081,373,272	10.23	24,692	2.58
Recreational	2,171,732,193	0.33	1,010	0.11
Government/Social/Institutional	4,073,146,728	0.61	5,219	0.55
Miscellaneous	429,986,313	0.06	1,030	0.11
Subtotal Non-Residential	<u>\$179,286,043,869</u>	<u>26.95%</u>	<u>82,352</u>	<u>8.60%</u>
Residential:				
Single Family Residence	\$305,364,333,651	45.90%	574,237	59.97%
Condominium/Townhouse	61,843,653,279	9.30	134,012	14.00
Mobile Home Related	451,018,309	0.07	340	0.04
2-4 Residential Units	42,308,124,611	6.36	96,322	10.06
5+ Residential Units/Apartments	71,640,580,240	10.77	41,501	4.33
Miscellaneous Residential	46,820,675	0.01	260	0.03
Subtotal Residential	<u>\$481,654,530,765</u>	<u>72.41%</u>	<u>846,672</u>	<u>88.43%</u>
Vacant Parcels	\$4,280,936,713	0.64%	28,444	2.97%
Total	\$665,221,511,347	100.00%	957,468	100.00%

⁽¹⁾ Local Secured Assessed Valuation, excluding tax-exempt property and utility valuations.
Source: California Municipal Statistics, Inc.

Assessed Valuation of Single-Family Homes. The following Table 6 sets forth the distribution of single-family homes within the District within various assessed valuation ranges in fiscal year 2018-19.

TABLE 6
LOS ANGELES UNIFIED SCHOOL DISTRICT
Assessed Valuations of Single Family Homes Per Parcel
Fiscal Year 2018-19

	No. of Parcels	2018-19 Assessed Valuation	Average Assessed Valuation	Median Assessed Valuation
Single-Family Residential	574,237	\$305,364,333,651	\$531,774	\$350,680

2018-19 Assessed Valuation	No. of Parcels⁽¹⁾	% of Total	Cumulative % of Total	Total Valuation	% of Total	Cumulative % of Total
\$0 - \$99,999	45,672	7.954%	7.954%	\$ 3,379,917,976	1.107%	1.107%
\$100,000 - \$199,999	106,502	18.547	26.500	16,354,978,721	5.356	6.463
\$200,000 - \$299,999	102,693	17.883	44.384	25,480,590,135	8.344	14.807
\$300,000 - \$399,999	79,394	13.826	58.210	27,626,541,008	9.047	23.854
\$400,000 - \$499,999	62,069	10.809	69.019	27,794,189,123	9.102	32.956
\$500,000 - \$599,999	43,935	7.651	76.670	24,019,093,346	7.866	40.822
\$600,000 - \$699,999	29,295	5.102	81.771	18,944,757,369	6.204	47.026
\$700,000 - \$799,999	20,985	3.654	85.426	15,678,088,358	5.134	52.160
\$800,000 - \$899,999	15,392	2.680	88.106	13,033,731,129	4.268	56.428
\$900,000 - \$999,999	10,932	1.904	90.010	10,359,531,785	3.393	59.821
\$1,000,000 - \$1,099,999	7,729	1.346	91.356	8,094,386,929	2.651	62.472
\$1,100,000 - \$1,199,999	6,098	1.062	92.418	7,001,940,204	2.293	64.765
\$1,200,000 - \$1,299,999	5,235	0.912	93.329	6,532,203,426	2.139	66.904
\$1,300,000 - \$1,399,999	4,508	0.785	94.114	6,077,213,295	1.990	68.894
\$1,400,000 - \$1,499,999	3,887	0.677	94.791	5,625,514,589	1.842	70.736
\$1,500,000 - \$1,599,999	3,268	0.569	95.360	5,056,684,082	1.656	72.392
\$1,600,000 - \$1,699,999	2,834	0.494	95.854	4,671,237,628	1.530	73.922
\$1,700,000 - \$1,799,999	2,429	0.423	96.277	4,247,208,805	1.391	75.313
\$1,800,000 - \$1,899,999	2,044	0.356	96.633	3,774,443,448	1.236	76.549
\$1,900,000 - \$1,999,999	1,765	0.307	96.940	3,438,561,550	1.126	77.675
\$2,000,000 and greater	17,571	3.060	100.000	68,173,520,745	22.325	100.000
Total	574,237	100.000%		\$305,364,333,651	100.000%	

⁽¹⁾ Improved single-family residential parcels. Excludes condominiums and parcels with multiple family units.
Source: California Municipal Statistics, Inc.

Largest Taxpayers in the District. The following Table 7 sets forth the twenty taxpayers with the greatest combined ownership of taxable property in the District on the fiscal year 2018-19 tax roll, and the assessed valuation of all property owned by those taxpayers in all taxing jurisdictions within the District.

**TABLE 7
LOS ANGELES UNIFIED SCHOOL DISTRICT
Largest Local Secured Taxpayers⁽¹⁾
Fiscal Year 2018-19**

	Property Owner	Primary Land Use	2018-19 Assessed Valuation	% of Total⁽²⁾
1.	Douglass Emmett LLC	Office Building	\$ 2,845,817,224	0.43%
2.	Universal Studios LLC	Movie Studio	2,727,877,822	0.41
3.	Essex Portfolio LP	Apartments	1,565,352,116	0.24
4.	FSP South Flower Street	Office Building	928,172,873	0.14
5.	Rochelle H. Sterling	Apartments	812,753,925	0.12
6.	Anheuser Busch Inc.	Industrial	741,603,853	0.11
7.	One Hundred Towers LLC	Office Building	652,593,052	0.10
8.	Century City Mall LLC	Shopping Center/Mall	652,068,871	0.10
9.	Trizec 333 LA LLC	Office Building	640,992,227	0.10
10.	Maguire Partners 355 S. Grand LLC	Office Building	599,459,603	0.09
11.	BRE HH Property Owner LLC	Office Building	594,660,029	0.09
12.	Tishman Speyer Archstone Smith	Apartments	575,649,384	0.09
13.	Olympic and Georgia Partners LLC	Hotel/Residences	561,050,690	0.08
14.	Palmer Flower Street Properties	Apartments	538,236,211	0.08
15.	LA Live Properties LLC	Commercial	538,067,117	0.08
16.	Greenland LA Metropolis	Hotel/Residences	536,749,913	0.08
17.	Paramount Pictures Corp.	Movie Studio	535,010,794	0.08
18.	Maguire Properties 555 W. Fifth	Office Building	525,637,507	0.08
19.	CJDB LLC, Lessor	Shopping Center/Mall	516,560,491	0.08
20.	2 Cal Land LA Owner LLC, Lessor	Office Building	513,582,417	0.08
			\$17,601,896,119	2.65%

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

⁽²⁾ Local Secured Assessed Valuation, excluding tax-exempt property and utility valuations: \$665,221,511,347.
Source: California Municipal Statistics, Inc.

The more property (by assessed value) owned by a single taxpayer, the more tax collections are exposed to weakness, if any, in such taxpayer's financial situation and ability or willingness to pay property taxes in a timely manner. Furthermore, assessments may be appealed by taxpayers seeking a reduction as a result of economic and other factors beyond the District's control.

Tax Rates, Levies and Collections

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

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

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

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

Proposition 13 and its implementing legislation impose the function of property tax allocation on counties in the State and prescribe how levies on countywide property values are to be shared with local taxing entities within each county. The limitations in Proposition 13,

however, do not apply to *ad valorem* property taxes or special assessments to pay the interest and redemption charges on indebtedness, like the District's general obligation bonds, approved by the voters.

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

State Government Code Sections 29100 through 29107 provide the procedures that all counties must follow for calculating tax rates. The secured tax levy within the District consists of the District's share of the 1% general *ad valorem* property and unitary taxes assessed on a County-wide basis and amounts levied that are in excess of the 1% general *ad valorem* property taxes. These tax receipts are part of the District's operations. In addition, the secured tax levy also includes the amount for the District's share of special voter-approved *ad valorem* property taxes assessed on a District-wide basis, such as the *ad valorem* property taxes assessed for the District's general obligation bonds issued pursuant to the Authorizations and any related general obligation refunding bonds. *Ad valorem* property taxes levied for general obligation bonds are deposited with the County and may only be applied to pay the principal of, redemption premium, if any, and interest on the District's general obligation bonds and general obligation refunding bonds. In addition, the total secured tax levy includes special assessments, improvement bonds, supplemental taxes or other charges which have been assessed on property within the District. Since State law allows homeowners' exemptions (described above) and certain business exemptions from *ad valorem* property taxation, such exemptions are not included in the total secured tax levy. See also "– California Constitutional and Statutory Provisions Relating to *Ad Valorem* Property Taxes" above.

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

Typical Tax Rate Area. The following Table 8 shows *ad valorem* property tax rates for the last five fiscal years in a typical Tax Rate Area of the District (TRA 0067). TRA 0067 comprises approximately 30.15% of the total fiscal year 2018-19 assessed value of the District.

TABLE 8
LOS ANGELES UNIFIED SCHOOL DISTRICT
Typical Tax Rates per \$100 of Assessed Valuation
(TRA 0067)
Fiscal Years 2014-15 through 2018-19

	<u>2014-15</u>	<u>2015-16</u>	<u>2016-17</u>	<u>2017-18</u>	<u>2018-19</u>
General	1.000000%	1.000000%	1.000000%	1.000000%	1.000000%
Los Angeles Unified School District ⁽¹⁾	0.146881	0.129709	0.131096	0.122192	0.123226
Los Angeles Community College District ⁽¹⁾	0.040174	0.035755	0.035956	0.045990	0.046213
City of Los Angeles ⁽¹⁾	0.028096	0.023030	0.021297	0.021345	0.023107
Metropolitan Water District of Southern California ⁽²⁾	0.003500	0.003500	0.003500	0.003500	0.003500
Total	1.218651%	1.191994%	1.191849%	1.193027%	1.196046%

⁽¹⁾ Tax rate relates to bonds authorized by voters subsequent to the approval of Proposition 13.

⁽²⁾ Tax rate relates to bonds authorized by voters pursuant to a special election held in 1966 (prior to the approval of Proposition 13) in the service area of the Metropolitan Water District of Southern California.

Source: California Municipal Statistics, Inc.

Secured Tax Charges and Delinquencies. The following Table 9 sets forth real property tax charges and corresponding delinquencies for the 1% general fund apportionment, with respect to property located in the County, and for the District’s general obligation bond debt service levy, with respect to the property located in the District, for fiscal years 2013-14 through 2017-18.

**TABLE 9
LOS ANGELES UNIFIED SCHOOL DISTRICT
Secured Tax Charges and Delinquencies
Fiscal Years 2013-14 through 2017-18**

1% General Fund Apportionment Levy

Fiscal Year	Secured Tax Charge⁽¹⁾	Amount Delinquent June 30	Percentage Delinquent June 30
2013-14	\$ 948,210,266.65	\$13,991,567.53	1.48%
2014-15	1,005,565,868.63	14,501,753.32	1.44
2015-16	1,078,286,485.58	15,318,415.41	1.42
2016-17	1,142,718,955.32	13,595,654.87	1.19
2017-18	1,222,916,327.88	15,217,873.23	1.24

District General Obligation Bond Debt Service Levy

Fiscal Year	Secured Tax Charge⁽²⁾	Amount Delinquent June 30	Percentage Delinquent June 30
2013-14	\$707,334,806.26	\$11,937,445.89	1.69%
2014-15	752,855,468.94	13,128,310.26	1.74
2015-16	711,852,286.31	10,350,374.48	1.45
2016-17	762,676,169.42	10,152,397.66	1.33
2017-18	765,484,783.08	11,238,395.43	1.47

⁽¹⁾ 1% General Fund apportionment. Excludes redevelopment agency impounds.

⁽²⁾ District’s general obligation bond debt service levy.

Source: California Municipal Statistics, Inc.

Certain counties in the State operate under a statutory program entitled Alternate Method of Distribution of Tax Levies and Collections and of Tax Sale Proceeds (the “Teeter Plan”). Under the Teeter Plan local taxing entities receive 100% of their tax levies net of delinquencies, but do not receive interest or penalties on delinquent taxes collected by the county. The County has not adopted the Teeter Plan, and consequently the Teeter Plan is not available to local taxing entities within the County, such as the District. The District’s receipt of property taxes is therefore subject to delinquencies.

The District is a member of the California Statewide Delinquent Tax Finance Authority (“CSDTFA”). CSDTFA is a joint exercise of powers agency formed for the purpose of purchasing delinquent *ad valorem* property taxes of its members in accordance with Section 6516.6 of the Government Code of the State of California. The District anticipates that CSDTFA will from time to time purchase delinquent *ad valorem* property tax receivables related to the

District’s share of the 1% general *ad valorem* property tax levy (not the additional *ad valorem* property tax levy for debt service on the District’s general obligation bonds) from the District. CSDTFA purchased the District’s delinquent *ad valorem* tax receivables related to the 1% general *ad valorem* property tax levy attributable to fiscal year 2017-18 from the District at a purchase price equal to 110% of such receivables. Any penalty charges collected with respect to such delinquencies will be retained by CSDTFA.

Debt Service

Debt service on the Refunding Bonds, assuming no early redemptions, is as shown in the following Table 10.

TABLE 10
LOS ANGELES UNIFIED SCHOOL DISTRICT
(County of Los Angeles, California)
2019 General Obligation Refunding Bonds, Series A
(Dedicated Unlimited *Ad Valorem* Property Tax Bonds)
Annual Debt Schedule

Year Ending July 1,	Principal	Interest	Total Debt Service
2019	\$ 12,240,000.00	\$ 2,547,444.44	\$ 14,787,444.44
2020	37,070,000.00	28,046,750.00	65,116,750.00
2021	29,250,000.00	26,193,250.00	55,443,250.00
2022	30,705,000.00	24,730,750.00	55,435,750.00
2023	32,240,000.00	23,195,500.00	55,435,500.00
2024	33,860,000.00	21,583,500.00	55,443,500.00
2025	35,540,000.00	19,890,500.00	55,430,500.00
2026	37,320,000.00	18,113,500.00	55,433,500.00
2027	39,190,000.00	16,247,500.00	55,437,500.00
2028	41,140,000.00	14,288,000.00	55,428,000.00
2029	43,205,000.00	12,231,000.00	55,436,000.00
2030	45,360,000.00	10,070,750.00	55,430,750.00
2031	47,635,000.00	7,802,750.00	55,437,750.00
2032	50,015,000.00	5,421,000.00	55,436,000.00
2033	52,520,000.00	2,920,250.00	55,440,250.00
2034 ⁽¹⁾	27,315,000.00	409,725.00	27,724,725.00
Total	\$594,605,000.00	\$233,692,169.44	\$828,297,169.44

⁽¹⁾ Final maturity is on January 1, 2034.
Source: Los Angeles Unified School District.

Aggregate Fiscal Year Debt Service

The following Table 11 sets forth the semi-annual debt service obligations in each fiscal year for the Refunding Bonds and all of the District’s outstanding general obligation bonds. See APPENDIX A – “DISTRICT FINANCIAL INFORMATION AND REGIONAL ECONOMIC AND DEMOGRAPHIC INFORMATION – DISTRICT FINANCIAL INFORMATION – District Debt.”

TABLE 11
LOS ANGELES UNIFIED SCHOOL DISTRICT
General Obligation Bonds, Semi-Annual Debt Service Schedule

Payment Date	Outstanding General Obligation Bonds ⁽¹⁾⁽²⁾	Refunding Bonds			Total ⁽³⁾
		Principal	Interest	Semi Annual Debt Service	
July 1, 2019	\$ 715,322,342.13	\$ 12,240,000.00	\$ 2,547,444.44	\$ 14,787,444.44	\$ 730,109,786.57
January 1, 2020	236,196,572.13	-	14,023,375.00	14,023,375.00	250,219,947.13
July 1, 2020	695,043,772.13	37,070,000.00	14,023,375.00	51,093,375.00	746,137,147.13
January 1, 2021	225,133,697.13	-	13,096,625.00	13,096,625.00	238,230,322.13
July 1, 2021	723,903,697.13	29,250,000.00	13,096,625.00	42,346,625.00	766,250,322.13
January 1, 2022	214,698,972.13	-	12,365,375.00	12,365,375.00	227,064,347.13
July 1, 2022	749,708,972.13	30,705,000.00	12,365,375.00	43,070,375.00	792,779,347.13
January 1, 2023	203,568,272.13	-	11,597,750.00	11,597,750.00	215,166,022.13
July 1, 2023	756,248,272.13	32,240,000.00	11,597,750.00	43,837,750.00	800,086,022.13
January 1, 2024	191,918,378.38	-	10,791,750.00	10,791,750.00	202,710,128.38
July 1, 2024	770,033,378.38	33,860,000.00	10,791,750.00	44,651,750.00	814,685,128.38
January 1, 2025	179,645,259.63	-	9,945,250.00	9,945,250.00	189,590,509.63
July 1, 2025	738,660,259.63	35,540,000.00	9,945,250.00	45,485,250.00	784,145,509.63
January 1, 2026	166,691,367.13	-	9,056,750.00	9,056,750.00	175,748,117.13
July 1, 2026	727,233,987.13	37,320,000.00	9,056,750.00	46,376,750.00	773,610,737.13
January 1, 2027	151,930,011.13	-	8,123,750.00	8,123,750.00	160,053,761.13
July 1, 2027	670,455,750.63	39,190,000.00	8,123,750.00	47,313,750.00	717,769,500.63
January 1, 2028	139,316,037.65	-	7,144,000.00	7,144,000.00	146,460,037.65
July 1, 2028	560,616,162.65	41,140,000.00	7,144,000.00	48,284,000.00	608,900,162.65
January 1, 2029	119,491,403.90	-	6,115,500.00	6,115,500.00	125,606,903.90
July 1, 2029	587,381,403.90	43,205,000.00	6,115,500.00	49,320,500.00	636,701,903.90
January 1, 2030	107,560,216.05	-	5,035,375.00	5,035,375.00	112,595,591.05
July 1, 2030	615,260,216.05	45,360,000.00	5,035,375.00	50,395,375.00	665,655,591.05
January 1, 2031	93,250,223.30	-	3,901,375.00	3,901,375.00	97,151,598.30
July 1, 2031	646,385,223.30	47,635,000.00	3,901,375.00	51,536,375.00	697,921,598.30
January 1, 2032	78,086,905.95	-	2,710,500.00	2,710,500.00	80,797,405.95
July 1, 2032	678,626,905.95	50,015,000.00	2,710,500.00	52,725,500.00	731,352,405.95
January 1, 2033	60,868,673.15	-	1,460,125.00	1,460,125.00	62,328,798.15
July 1, 2033	679,648,673.15	52,520,000.00	1,460,125.00	53,980,125.00	733,628,798.15
January 1, 2034	42,319,666.10	27,315,000.00	409,725.00	27,724,725.00	70,044,391.10
July 1, 2034	805,589,666.10	-	-	-	805,589,666.10
January 1, 2035	19,369,656.25	-	-	-	19,369,656.25
July 1, 2035	112,899,656.25	-	-	-	112,899,656.25
January 1, 2036	17,205,181.25	-	-	-	17,205,181.25
July 1, 2036	115,065,181.25	-	-	-	115,065,181.25
January 1, 2037	15,029,768.75	-	-	-	15,029,768.75
July 1, 2037	117,239,768.75	-	-	-	117,239,768.75
January 1, 2038	12,568,268.75	-	-	-	12,568,268.75
July 1, 2038	119,698,268.75	-	-	-	119,698,268.75
January 1, 2039	9,990,025.00	-	-	-	9,990,025.00
July 1, 2039	122,280,025.00	-	-	-	122,280,025.00
January 1, 2040	7,187,237.50	-	-	-	7,187,237.50
July 1, 2040	125,082,237.50	-	-	-	125,082,237.50
January 1, 2041	4,239,637.50	-	-	-	4,239,637.50
July 1, 2041	83,364,637.50	-	-	-	83,364,637.50
January 1, 2042	2,162,606.25	-	-	-	2,162,606.25
July 1, 2042	85,442,606.25	-	-	-	85,442,606.25
TOTAL⁽³⁾	\$14,299,619,100.91	\$594,605,000.00	\$233,692,169.44	\$828,297,169.44	\$15,127,916,270.35

⁽¹⁾ Reflects the refunding of the Prior Bonds from proceeds of the Refunding Bonds.

⁽²⁾ Includes set-aside payments for Qualified School Construction Bonds. Excludes federal subsidies related to Build America Bonds and Qualified School Construction Bonds. See APPENDIX A – “DISTRICT FINANCIAL INFORMATION AND REGIONAL ECONOMIC AND DEMOGRAPHIC INFORMATION – DISTRICT FINANCIAL INFORMATION – District Debt – *Limitations on the Receipt of Federal Funds.*”

⁽³⁾ Totals may not equal sum of components due to rounding.

Source: Los Angeles Unified School District.

The District's General Obligation Bond Program and Bonding Capacity

Voters within the District have approved a total of \$20.605 billion of general obligation bonds in five separate bond elections since 1997. See APPENDIX A – “DISTRICT FINANCIAL INFORMATION AND REGIONAL ECONOMIC AND DEMOGRAPHIC INFORMATION – DISTRICT FINANCIAL INFORMATION – District Debt” attached hereto for additional information regarding the District’s outstanding general obligation bonds. Pursuant to Section 15106 of the Education Code, the District’s bonding capacity for general obligation bonds may not exceed 2.5% of taxable property value in the District as shown by the last equalized assessment of the County. The taxable property valuation in the District for fiscal year 2018-19 is approximately \$692.73 billion, which results in a total current bonding capacity of approximately \$17.32 billion. The District’s available capacity for the issuance of new general obligation bonds is approximately \$7.12 billion (taking into account the current outstanding debt before the issuance of the Refunding Bonds). The issuance of additional series of general obligation bonds, other than general obligation refunding bonds, in future years will depend upon, among other things, the assessed valuation of property within the District’s boundaries, as determined by the District’s analysis of information from, among other sources, the Office of the County Assessor. See “– California Constitutional and Statutory Provisions Relating to *Ad Valorem* Property Taxes” above.

Overlapping Debt Obligations

Set forth in Table 12 on the following page is the report prepared by California Municipal Statistics Inc. prepared on March 4, 2019, which provides information with respect to direct and overlapping debt within the District as of February 1, 2019 (the “Overlapping Debt Report”). The Overlapping Debt Report is included for general information purposes only. The District has not reviewed the Overlapping Debt Report for completeness or accuracy and makes no representations in connection therewith. The Overlapping Debt Report generally includes long-term obligations sold in the public credit markets by public agencies whose boundaries overlap the boundaries of the District. Such long-term obligations generally are not payable from revenues of the District (except as indicated) nor are they necessarily obligations secured by land within the District. In many cases, long-term obligations issued by a public agency are payable only from the general fund or other revenues of such public agency.

The first column in Table 12 names each public agency which has outstanding debt as of the date of the report and whose territory overlaps the District in whole or in part. Column 2 shows the percentage of each overlapping agency’s assessed value located within the boundaries of the District. This percentage, multiplied by the total outstanding debt of each overlapping agency (which is not shown in Table 12) produces the amount shown in column 3, which is the apportionment of each overlapping agency’s outstanding debt to taxable property in the District.

TABLE 12
LOS ANGELES UNIFIED SCHOOL DISTRICT
Schedule of Direct and Overlapping Bonded Debt
As of March 4, 2019

2018-19 Assessed Valuation: \$692,732,625,173

<u>DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:</u>	<u>% Applicable</u>	<u>Debt 2/1/19</u>
Metropolitan Water District	23.650%	\$18,294,458
Los Angeles Community College District	81.445	3,201,106,136
Pasadena Area Community College District	0.001	734
Los Angeles Unified School District	100.000	10,199,475,000 ⁽¹⁾
City of Los Angeles	99.939	876,724,871
Other Cities	Various	21,431,133
City Community Facilities Districts	100.000	78,605,000
Other City and Special District 1915 At Bonds	0.007-100.000	18,934,455
Los Angeles County Regional Park & Open Space Assessment District	45.622	6,213,716
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		\$14,420,785,503
Less: Los Angeles Unified School District General Obligation Bonds, Election of 2005, Series J (2010) Qualified School Construction Bonds: Amount accumulated in Interest and Sinking Fund and Set Asides for Repayment		<u>27,330,000</u>
TOTAL NET DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		\$14,393,455,503
 <u>DIRECT AND OVERLAPPING GENERAL FUND DEBT:</u>		
Los Angeles County General Fund Obligations	45.622%	\$987,116,078
Los Angeles County Superintendent of Schools Certificates of Participation	45.622	2,658,790
Los Angeles Unified School District Certificates of Participation	100.000	180,545,000
City of Los Angeles General Fund and Judgment Obligations	99.939	1,461,020,153
Other City General Fund and Pension Obligation Bonds	Various	186,819,671
Los Angeles County Sanitation District Nos. 1,2,4,5,8,9,16 & 23 Authorities	Various	<u>11,984,498</u>
TOTAL GROSS DIRECT AND OVERLAPPING GENERAL FUND DEBT		\$2,830,144,190
Less: Los Angeles Unified School District 2005 Certificates of Participation (Qualified Zone Academy Bonds): Amount accumulated in Sinking Fund for Repayment		<u>7,400,000</u>
City supported obligations		<u>243,000</u>
TOTAL NET DIRECT AND OVERLAPPING GENERAL FUND DEBT		\$2,822,501,190
 <u>OVERLAPPING TAX INCREMENT DEBT:</u>		
City of Los Angeles Redevelopment Agency (Successor Agency)	100.000%	\$405,960,000
Other Redevelopment Agencies (Successor Agency)	Various	<u>375,329,941</u>
TOTAL OVERLAPPING TAX INCREMENT DEBT		\$781,289,941
 GROSS COMBINED TOTAL DEBT		\$18,032,219,634⁽²⁾
NET COMBINED TOTAL DEBT		\$18,024,576,634

⁽¹⁾ Excludes the Refunding Bonds. Includes the Prior Bonds to be refunded with proceeds of the Refunding Bonds.

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

Ratios to 2018-19 Assessed Valuation:

Direct Debt (\$10,199,475,000)	1.47%
Net Direct Debt (\$10,172,145,000)	1.47%
Total Overlapping Tax and Assessment Debt	2.08%
Gross Combined Direct Debt (\$10,380,020,000).....	1.50%
Net Combined Direct Debt (\$10,345,290,000).....	1.49%
Gross Combined Total Debt	2.60%
Net Combined Total Debt.....	2.60%

Ratios to Redevelopment Incremental Valuation (\$73,585,514,868):

Total Overlapping Tax Increment Debt	1.06%
--	-------

Source: California Municipal Statistics, Inc.

TAX MATTERS

Opinion of Bond Counsel. In the opinion of Hawkins Delafield & Wood LLP, Bond Counsel to the District (“Bond Counsel”), under existing statutes and court decisions and assuming continuing compliance with certain tax covenants described herein, (i) interest on the Refunding Bonds is excluded from gross income for Federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the “Code”), and (ii) interest on the Refunding Bonds is not treated as a preference item in calculating the alternative minimum tax under the Code. In rendering its opinion, Bond Counsel has relied on certain representations, certifications of fact, and statements of reasonable expectations made by the District in connection with the Refunding Bonds, and Bond Counsel has assumed compliance by the District with certain ongoing covenants to comply with applicable requirements of the Code to assure the exclusion of interest on the Refunding Bonds from gross income under Section 103 of the Code.

In addition, in the opinion of Bond Counsel to the District, under existing statutes, interest on the Refunding Bonds is exempt from personal income taxes imposed by the State of California.

Bond Counsel expresses no opinion as to any other Federal, state or local tax consequences with respect to the Refunding Bonds, or the ownership or disposition thereof, except as stated above. Bond Counsel renders its opinion under existing statutes and court decisions as of the issue date, and assumes no obligation to update, revise or supplement its opinion to reflect any action thereafter taken or not taken, or any facts or circumstances that may thereafter come to its attention, or changes in law or in interpretations thereof that may thereafter occur, or for any other reason. Bond Counsel expresses no opinion on the effect of any action hereafter taken or not taken in reliance upon an opinion of other counsel regarding Federal, state or local tax matters, including, without limitation, the exclusion from gross income for Federal income tax purposes of interest on the Refunding Bonds.

Certain Ongoing Federal Tax Requirements and Covenants. The Code establishes certain ongoing requirements that must be met subsequent to the issuance and delivery of the Refunding Bonds in order that interest on the Refunding Bonds be and remain excluded from gross income under Section 103 of the Code. These requirements include, but are not limited to, requirements relating to use and expenditure of gross proceeds of the Refunding Bonds, yield and other restrictions on investments of gross proceeds, and the arbitrage rebate requirement that certain excess earnings on gross proceeds be rebated to the Federal government. Noncompliance with such requirements may cause interest on the Refunding Bonds to become included in gross income for Federal income tax purposes retroactive to their issue date, irrespective of the date on which such noncompliance occurs or is discovered. The District has covenanted to comply with certain applicable requirements of the Code to assure the exclusion of interest on the Refunding Bonds from gross income under Section 103 of the Code.

Certain Collateral Federal Tax Consequences. The following is a brief discussion of certain collateral Federal income tax matters with respect to the Refunding Bonds. It does not purport to address all aspects of Federal taxation that may be relevant to a particular owner of a Refunding Bond. Prospective investors, particularly those who may be subject to special rules,

are advised to consult their own tax advisors regarding the Federal tax consequences of owning and disposing of the Refunding Bonds.

Prospective owners of the Refunding Bonds should be aware that the ownership of such obligations may result in collateral Federal income tax consequences to various categories of persons, such as corporations (including S corporations and foreign corporations), financial institutions, property and casualty and life insurance companies, individual recipients of Social Security and railroad retirement benefits, individuals otherwise eligible for the earned income tax credit, and taxpayers deemed to have incurred or continued indebtedness to purchase or carry obligations the interest on which is excluded from gross income for Federal income tax purposes. Interest on the Refunding Bonds may be taken into account in determining the tax liability of foreign corporations subject to the branch profits tax imposed by Section 884 of the Code.

Bond Premium. In general, if an owner acquires a Refunding Bond for a purchase price (excluding accrued interest) or otherwise at a tax basis that reflects a premium over the sum of all amounts payable on the Refunding Bond after the acquisition date (excluding certain “qualified stated interest” that is unconditionally payable at least annually at prescribed rates), that premium constitutes “bond premium” on that Refunding Bond (a “Premium Bond”). In general, under Section 171 of the Code, an owner of a Premium Bond must amortize the bond premium over the remaining term of the Premium Bond, based on the owner’s yield over the remaining term of the Premium Bond determined based on constant yield principles (in certain cases involving a Premium Bond callable prior to its stated maturity date, the amortization period and yield may be required to be determined on the basis of an earlier call date that results in the lowest yield on such bond). An owner of a Premium Bond must amortize the bond premium by offsetting the qualified stated interest allocable to each interest accrual period under the owner’s regular method of accounting against the bond premium allocable to that period. In the case of a tax-exempt Premium Bond, if the bond premium allocable to an accrual period exceeds the qualified stated interest allocable to that accrual period, the excess is a nondeductible loss. Under certain circumstances, the owner of a Premium Bond may realize a taxable gain upon disposition of the Premium Bond even though it is sold or redeemed for an amount less than or equal to the owner’s original acquisition cost. Owners of any Premium Bonds should consult their own tax advisors regarding the treatment of bond premium for Federal income tax purposes, including various special rules relating thereto, and state and local tax consequences, in connection with the acquisition, ownership or amortization of bond premium on, sale, exchange, or other disposition of Premium Bonds.

Information Reporting and Backup Withholding. Information reporting requirements apply to interest paid on tax-exempt obligations, including the Refunding Bonds. In general, such requirements are satisfied if the interest recipient completes, and provides the payor with, a Form W-9, “Request for Taxpayer Identification Number and Certification,” or if the recipient is one of a limited class of exempt recipients. A recipient not otherwise exempt from information reporting who fails to satisfy the information reporting requirements will be subject to “backup withholding,” which means that the payor is required to deduct and withhold a tax from the interest payment, calculated in the manner set forth in the Code. For the foregoing purpose, a “payor” generally refers to the person or entity from whom a recipient receives its payments of interest or who collects such payments on behalf of the recipient.

If an owner purchasing a Refunding Bond through a brokerage account has executed a Form W-9 in connection with the establishment of such account, as generally can be expected, no backup withholding should occur. In any event, backup withholding does not affect the excludability of the interest on the Refunding Bonds from gross income for Federal income tax purposes. Any amounts withheld pursuant to backup withholding would be allowed as a refund or a credit against the owner's Federal income tax once the required information is furnished to the Internal Revenue Service.

Miscellaneous. Tax legislation, administrative actions taken by tax authorities, or court decisions, whether at the Federal or state level, may adversely affect the tax-exempt status of interest on the Refunding Bonds under federal or state law or otherwise prevent beneficial owners of the Refunding Bonds from realizing the full current benefit of the tax status of such interest. In addition, such legislation or actions (whether currently proposed, proposed in the future, or enacted) and such decisions could affect the market price or marketability of the Refunding Bonds.

Prospective purchasers of the Refunding Bonds should consult their own tax advisors regarding the foregoing matters.

LEGAL MATTERS

Possible Limitations on Remedies; Bankruptcy

General. State law contains certain safeguards to protect the financial solvency of school districts. See APPENDIX A – “DISTRICT FINANCIAL INFORMATION AND REGIONAL ECONOMIC AND DEMOGRAPHIC INFORMATION – STATE FUNDING OF SCHOOL DISTRICTS.” If the safeguards are not successful in preventing a school district from becoming insolvent, the State Superintendent of Public Instruction (the “State Superintendent”), operating through an administrator appointed by the State Superintendent, may be authorized under State law to file a petition under Chapter 9 of the United States Bankruptcy Code (the “Bankruptcy Code”) on behalf of the school district for the adjustment of its debts, assuming that the school district meets certain other requirements contained in the Bankruptcy Code necessary for filing a petition under Chapter 9 of the Bankruptcy Code. School districts are not themselves authorized to file a bankruptcy proceeding, and they are not subject to involuntary bankruptcy.

Bankruptcy courts are courts of equity and as such have broad discretionary powers. If the District were to become the debtor in a proceeding under Chapter 9 of the Bankruptcy Code, the parties to the proceedings may be prohibited from taking any action to collect any amount from the District or the County (including *ad valorem* tax revenues) or to enforce any obligation of the District, without the bankruptcy court's permission. In such a proceeding, as part of its plan of adjustment in bankruptcy, the District may be able to alter the priority, interest rate, principal amount, payment terms, collateral, maturity dates, payment sources, covenants (including tax-related covenants), and other terms or provisions of the Refunding Bonds and other transaction documents related to the Refunding Bonds, as long as the bankruptcy court determines that the alterations are fair and equitable. In addition, in such a proceeding, as part of such a plan, the District may be able to eliminate the obligation of the County to raise taxes if necessary to pay the Refunding Bonds. There also may be other possible effects of a bankruptcy

of the District that could result in delays or reductions in payments on the Refunding Bonds. Moreover, regardless of any specific adverse determinations in any District bankruptcy proceeding, the existence of a District bankruptcy proceeding could have an adverse effect on the liquidity and market price of the Refunding Bonds.

As stated above, if a school district were to go into bankruptcy, the bankruptcy petition would be filed under Chapter 9 of the Bankruptcy Code. Chapter 9 provides that it does not limit or impair the power of a state to control, by legislation or otherwise, a municipality of or in such state in the exercise of the political or governmental powers of such municipality, including expenditures for such exercise. For purposes of Chapter 9, a school district is a municipality. State law provides that the *ad valorem* taxes levied to pay the principal and interest on the Refunding Bonds shall be used for the payment of principal and interest of the District's general obligation bonds and for no other purpose. If this restriction on the expenditure of such *ad valorem* taxes is respected in a bankruptcy case, then the *ad valorem* tax revenue could not be used by the District for any purpose other than to make payments on the Refunding Bonds. It is possible, however, that a bankruptcy court could conclude that the restriction should not be respected.

Statutory Lien. Pursuant to the California Government Code, all general obligation bonds issued by local agencies, including refunding bonds (including the Refunding Bonds), are secured by a statutory lien on all revenues received pursuant to the levy and collection of the tax and the lien automatically arises, without the need for any action or authorization by the local agency or its governing board, and is valid and binding from the time the Refunding Bonds are executed and delivered. See "SECURITY AND SOURCE OF PAYMENT FOR THE REFUNDING BONDS – Statutory Lien on Taxes (Senate Bill 222)." Although a statutory lien would not be automatically terminated by the filing of a Chapter 9 bankruptcy petition by the District, the automatic stay provisions of the Bankruptcy Code would apply and payments that become due and owing on the Refunding Bonds during the pendency of the Chapter 9 proceeding could be delayed.

Special Revenues. If the *ad valorem* tax revenues that are pledged to the payment of the Refunding Bonds (see "SECURITY AND SOURCE OF PAYMENT FOR THE REFUNDING BONDS – Pledge of Tax Revenues") are determined to be "special revenues" within the meaning of the Bankruptcy Code, then the application in a manner consistent with the Bankruptcy Code of the pledged *ad valorem* revenues that are collected after the date of the bankruptcy filing should not be subject to the automatic stay. "Special revenues" are defined to include, among others, taxes specifically levied to finance one or more projects or systems of the debtor, but excluding receipts from general property, sales, or income taxes levied to finance the general purposes of the debtor. The District has specifically pledged the *ad valorem* taxes for payment of the Refunding Bonds. Additionally, the *ad valorem* taxes levied for payment of the Refunding Bonds are permitted under the State Constitution only where either (i) the applicable bond proposition is approved by 55% of the voters and such proposition contains a specific list of school facilities projects under Proposition 39, or (ii) if the applicable bond proposition is approved by two-thirds of voters under Proposition 46, such bonds must be issued for the acquisition or improvement of real property. State law prohibits the use of the tax proceeds for any purpose other than payment of the general obligation bonds (including general obligation refunding bonds) and the original bond proceeds can only be used to fund the acquisition or

improvement of real property and other capital expenditures included in the proposition so such tax revenues appear to fit the definition of special revenues. However, there is no binding judicial precedent dealing with the treatment in bankruptcy proceedings of *ad valorem* tax revenues collected for the payments of bonds in California, so no assurance can be given that a bankruptcy court would not hold otherwise.

The Bankruptcy Code provides that there is no stay of application of pledged special revenues to payment of indebtedness secured by such revenues. The United States Court of Appeals for the First Circuit, in a case arising out of the insolvency proceedings of Puerto Rico, recently held that this provision permitted voluntary payments of debt service by the issuer of bonds backed by special revenues, but did not permit the bondholders to compel the issuer to make payments of debt service from special revenues. If this decision is followed by other courts, the holders of the Refunding Bonds may be prohibited from taking any action to require the District or the County to make payments on the Refunding Bonds without the bankruptcy court's permission. This could result in substantial delays in payments on the Refunding Bonds.

In addition, even if the *ad valorem* tax revenues are determined to be "special revenues," the Bankruptcy Code provides that special revenues can be applied to necessary operating expenses of the project or system, before they are applied to other obligations. This rule applies regardless of the provisions of the transaction documents. Thus, a bankruptcy court could determine that the District is entitled to use the *ad valorem* tax revenues to pay necessary operating expenses of the District and its schools, before the remaining revenues are paid to the owners of the Refunding Bonds.

Possession of Tax Revenues; Remedies. If the District goes into bankruptcy and the District or the County has possession of tax revenues (whether collected before or after commencement of the bankruptcy), and if the District or the County, as applicable, does not voluntarily pay such tax revenues to the owners of the Refunding Bonds, it is not entirely clear what procedures the owners of the Refunding Bonds would have to follow to attempt to obtain possession of such tax revenues, how much time it would take for such procedures to be completed, or whether such procedures would ultimately be successful. A similar risk would exist if the County goes into bankruptcy and has possession of tax revenues (whether collected before or after commencement of the bankruptcy).

Opinion of Bond Counsel Qualified by Reference to Bankruptcy, Insolvency and Other Laws Relating to or Affecting Creditor's Rights. The proposed form of opinion of Bond Counsel, attached hereto as Appendix D, is qualified by reference to bankruptcy, insolvency and other laws relating to or affecting creditor's rights.

Amounts Held in County Treasury Pool

The County on behalf of the District is expected to be in possession of the annual *ad valorem* property taxes and certain funds to repay the Refunding Bonds and may invest these funds in the County's Treasury Pool, as described in Appendix F – "LOS ANGELES COUNTY TREASURY POOL." Should those investments suffer any losses, there may be delays or reductions in payments on the Refunding Bonds.

Legality for Investment in the State

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

Continuing Disclosure

The District has covenanted for the benefit of the holders and beneficial owners of the Refunding Bonds to provide certain financial information and operating data relating to the District (the “Annual Report”) for each fiscal year by not later than 240 days following the end of the District’s fiscal year (currently ending June 30), commencing with the Annual Report for fiscal year 2018-19, and to provide notices of the occurrence of certain specified events (collectively, the “Listed Events”). The information to be contained in the Annual Report and in a notice of a Listed Event is set forth in Appendix E – “FORM OF CONTINUING DISCLOSURE CERTIFICATE.” The District will provide or cause to be provided the Annual Report and such notices to the Municipal Securities Rulemaking Board through its Electronic Municipal Market Access system in the manner prescribed by the Securities and Exchange Commission (“SEC”). Copies of the District’s annual reports and notices of Listed Event filings are available at the website of Digital Assurance Certification, L.L.C. (“DAC”), www.dacbond.com, and at the website of the Municipal Securities Rulemaking Board’s Electronic Municipal Market Access system, emma.msrb.org. The information presented on these websites is not incorporated by reference in this Official Statement and should not be relied upon in making an investment decision with respect to the Refunding Bonds. These covenants have been made in order to assist the Underwriter (defined herein) in complying with SEC Rule 15c2-12(b)(5) (the “Rule”).

Certain Legal Matters

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

FINANCIAL STATEMENTS

The District’s Comprehensive Annual Financial Report for fiscal year ended June 30, 2018, including its general purpose financial statements for the fiscal year ended June 30, 2018, is attached hereto as Appendix B. The basic financial statements of the District for the fiscal year 2017-18 have been audited by Simpson & Simpson, independent certified public accountants, as stated in their report appearing in Appendix B. The District has not requested

nor has the District obtained the consent of Simpson & Simpson to the inclusion of its report in Appendix B. Simpson & Simpson has not been engaged to perform and has not performed, since the date of its report included herein, any procedures on the financial statements addressed in that report. Simpson & Simpson has not been requested to perform and has not performed any procedures relating to the Official Statement.

LITIGATION

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

MISCELLANEOUS

Ratings

Fitch Ratings, Inc. ("Fitch") and Moody's Investors Service, Inc. ("Moody's") have assigned their municipal bond ratings of "AAA" and "Aa2," respectively, to the Refunding Bonds. The District has furnished to each rating agency certain materials and information with respect to itself and the Refunding Bonds. Generally, rating agencies base their ratings on such information and materials and on their own investigations, studies and assumptions. Each rating reflects only the view of the respective rating agency, and any explanation of the significance of such rating may be obtained only from the issuing rating agency furnishing the same, at the following addresses: Fitch, 33 Whitehall Street, New York, New York 10004, telephone: (212) 908-0800, and Moody's Investors Service, Inc., 7 World Trade Center at 250 Greenwich Street, New York, New York 10007, telephone: (212) 533-0300. There is no assurance that any such rating will continue for any given period of time or that it will not be revised downward or withdrawn entirely by such rating agency, if, in its judgment, circumstances so warrant. Any such downward revision or withdrawal of any such rating may have an adverse effect on the market price of the Refunding Bonds.

The recent decision of the United States Court of Appeals for the First Circuit in the Puerto Rico insolvency proceedings regarding the automatic stay and special revenues, as well as any other future court decisions regarding special revenues, may or may not affect the treatment or the definition of special revenues in bankruptcy cases. It is not possible to predict what effect, if any, the First Circuit decision, or any future court decision, may have on the ratings assigned

to the Bonds. However, the rating assigned to the Bonds by Fitch Ratings could be reduced if the First Circuit decision is not vacated or reversed. See “LEGAL MATTERS – Possible Limitations on Remedies; Bankruptcy” herein.

Municipal Advisor

The District has retained Fieldman, Rolapp & Associates, Inc., as Municipal Advisor (the “Municipal Advisor”) in connection with the issuance of the Refunding Bonds and certain other financial matters. The Municipal Advisor has not been engaged, nor has it undertaken, to audit, authenticate or otherwise verify the information set forth in this Official Statement, or any other related information available to the District, with respect to accuracy and completeness of disclosure of such information. The Municipal Advisor has reviewed this Official Statement but makes no guaranty, warranty or other representation respecting accuracy and completeness of the information contained in this Official Statement.

Verification of Mathematical Computations

Upon the delivery of the Refunding Bonds, Causey Demgen & Moore P.C., Denver, Colorado (the “Verification Agent”), will deliver a report stating that the firm has verified the mathematical accuracy of the schedules with respect to the sufficiency of the Escrow Fund established to pay the redemption price of, including accrued interest thereon, the Prior Bonds to be refunded. The scope of the verification will be based solely on information and assumptions provided to the Verification Agent by the Municipal Advisor. The Verification Agent will express no opinion on the assumptions provided by it to the Municipal Advisor, nor as to the exemption from taxation of the interest on the Refunding Bonds.

Underwriting

The Refunding Bonds were purchased by BofA Securities, Inc. (the “Underwriter”) as the winner of a competitive bid conducted on May 7, 2019. The Underwriter has agreed to purchase the Refunding Bonds at a price of \$704,269,755.20. The Underwriter’s total discount is \$660,011.55. See “ESTIMATED SOURCES AND USES OF FUNDS.”

The Underwriter may offer and sell the Refunding Bonds to certain securities dealers and dealer banks and banks acting as agent at prices lower than the public offering prices stated on the inside front cover page of this Official Statement. The public offering prices may be changed from time to time by the Underwriter.

Additional Information

The purpose of this Official Statement is to provide information to prospective buyers of the Refunding Bonds. Quotations from and summaries of the Refunding Bonds, the Refunding Resolution, and the constitutional provisions, statutes and other documents described herein do not purport to be complete, and reference is made to said documents, constitutional provisions and statutes for full and complete statements of their provisions. Any statements in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended as such and not as representations of fact. This Official Statement is not a contract or agreement between the District and the purchasers or owners of any of the Refunding Bonds.

[THIS PAGE INTENTIONALLY LEFT BLANK]

APPENDIX A

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

[THIS PAGE INTENTIONALLY LEFT BLANK]

TABLE OF CONTENTS

	Page
DISTRICT GENERAL INFORMATION.....	A-1
District Boundaries.....	A-1
District Governance; Senior Management	A-1
School Facilities	A-3
Average Daily Attendance.....	A-3
STATE FUNDING OF SCHOOL DISTRICTS.....	A-4
General	A-4
The State Budget Process	A-5
State Budget Act.....	A-6
State Funding of Schools Without a State Budget.....	A-12
Local Control Funding Formula.....	A-12
Charter School Funding.....	A-17
Limitations on School District Reserves	A-17
DISTRICT FINANCIAL INFORMATION.....	A-18
District Financial Policies.....	A-18
District Budget.....	A-21
Significant Accounting Policies, System of Accounts and Audited Financial Statements	A-31
Employees and Labor Relations	A-32
Retirement Systems	A-35
Other Postemployment Benefits.....	A-45
Risk Management and Litigation	A-48
District Debt	A-55
Future Financings	A-61
CALIFORNIA CONSTITUTIONAL AND STATUTORY PROVISIONS RELATING TO AD VALOREM PROPERTY TAXES, DISTRICT REVENUES AND APPROPRIATIONS	A-62
Constitutionally Required Funding of Education	A-62
Article XIII A of the State Constitution	A-62
Legislation Implementing Article XIII A	A-63
Article XIII B of the State Constitution.....	A-63
Article XIII C and Article XIII D of the State Constitution	A-64
Proposition 98.....	A-65
Proposition 39.....	A-65
Proposition 1A.....	A-66

TABLE OF CONTENTS
(continued)

	Page
Proposition 22.....	A-66
Proposition 30.....	A-67
State School Facilities Bonds	A-68
Future Initiatives.....	A-70
REGIONAL ECONOMIC AND DEMOGRAPHIC INFORMATION.....	A-71
Population.....	A-71
Income	A-71
Employment	A-72
Leading County Employers	A-74
Construction	A-75
GLOSSARY OF CERTAIN TERMS AND ABBREVIATIONS.....	A-78

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

DISTRICT GENERAL INFORMATION

District Boundaries

The District, encompassing approximately 710 square miles, is located in the western section of the County of Los Angeles (the “County”). The District’s boundaries include virtually all of the City of Los Angeles (the “City”), all of the Cities of Cudahy, Gardena, Huntington Park, Lomita, Maywood, San Fernando, Vernon and West Hollywood, and portions of the Cities of Bell, Bell Gardens, Beverly Hills, Calabasas, Carson, Commerce, Culver City, Hawthorne, Inglewood, Long Beach, Lynwood, Montebello, Monterey Park, Rancho Palos Verdes, Santa Clarita, South Gate, and Torrance. In addition, the District provides services to several unincorporated areas of the County which includes residential and industrial areas. The boundaries for the District are approximately 80% coterminous with the City, with the remaining 20% included in smaller neighboring cities and unincorporated County areas. The District was formed in 1854 as the Common Schools for the City and became a unified school district in 1960.

District Governance; Senior Management

The District is governed by a seven-member Board of Education (the “District Board”) elected by voters within the District to serve alternating five-year terms. Mónica García (District 2) serves as President of the District Board, and Nick Melvoin (District 4) serves as Vice President of the District Board. In addition, George McKenna (District 1), Scott Schmerelson (District 3), Kelly Gonez (District 6), and Richard Vladovic (District 7) serve on the District Board. There is currently a vacancy on the District Board for District 5. On March 5, 2019, the District conducted a special election for a board member to represent District 5. Since no candidate received a majority of the vote at such special election, a runoff election will be held on May 14, 2019 between, Jackie Goldberg and Heather Repenning, the two candidates who received the most votes at such special election.

The chief executive officer of the District, appointed by the District Board to manage the day-to-day operations of the District, is the Superintendent of Schools (the “Superintendent”). Austin Beutner was appointed the Superintendent in May 2018. In addition to the Superintendent of the District, the District has organized its schools into six geographically-based regions (collectively, the “Local Districts”). Each Local District has a separate superintendent to oversee the schools in the related area of the District. The current Local District Superintendents are Roberto Antonio Martinez (Central), José P. Huerta (East), Linda Del Cueto (Northeast), Joseph Nacorda (Northwest), Michael Romero (South) and Cheryl P. Hildreth (West). Brief biographical information for Superintendent Beutner and other senior management of the District is set forth below.

Austin Beutner, Superintendent. Austin Beutner was named Superintendent of the Los Angeles Unified School District in May 2018. Mr. Beutner is a civic leader, philanthropist, public servant and business executive who has worked for the last decade to make Los Angeles a stronger community. He has served as First Deputy Mayor of the City of Los Angeles, Publisher of the *Los Angeles Times*, Co-

Chair of the LA 2020 Commission and the L.A. Unified Advisory Task Force, and founded Vision To Learn.

Mr. Beutner graduated from Dartmouth College with a bachelor's degree in economics and spent his business career working in the financial services industry. He was the youngest-ever partner at The Blackstone Group and went on to found Evercore Partners, helping build the firm into one of the leading independent investment banks in the world.

Mr. Beutner worked for the U.S. government in the Clinton Administration. Following the collapse of the Soviet Union, he led a team in Russia that helped the country transition to a market economy. He has taught courses on ethics, leadership and effective government at Harvard Business School, the University of Southern California Price School of Public Policy, the UCLA Anderson School of Management, and California State University Northridge. He currently serves on the board of the National Park Foundation, is a fellow of the American Academy of Arts and Sciences, and is also a member of the Council on Foreign Relations.

David Holmquist, General Counsel. Mr. Holmquist has served as the District's General Counsel since October 1, 2009. As General Counsel for the District, Mr. Holmquist is responsible for administering the legal activities of the District's legal staff and outside legal firms. In addition, he coordinates the District's legal affairs, conducts litigation for the District and participates in trials related to matters of major importance to the District. Prior to his appointment as General Counsel, Mr. Holmquist served as Chief Operating Officer, Chief Risk Officer and as the Director of Risk Management and Insurance Services. Mr. Holmquist previously held positions with various public-sector entities including Risk Manager of the City of Beverly Hills from 1996 to 2003, Risk Manager of the City of Buena Park from 1987 to 1996, and Safety Coordinator for the City of Fullerton from 1986 to 1987. Mr. Holmquist earned a Bachelor of Science degree in Business Administration from Oregon State University in 1983 and his Juris Doctorate degree from Western State University in 1995. A frequent lecturer and speaker, Mr. Holmquist was admitted to practice law before both the California and federal courts in 1995 and has also served as an adjunct professor at the University of Southern California.

Scott S. Price, Chief Financial Officer. Dr. Scott Price has over 20 years of experience in education as a Chief Financial Officer, Chief Business Officer, Business Administrator, Director of Technology, Grant Administrator and Teacher. Previously, Dr. Price was the Chief Financial Officer of the Los Angeles County Office of Education ("LACOE"). Prior to working at LACOE, he served as the Chief Business Officer for the South Pasadena Unified School District. Dr. Price has been a Cabinet member for over 15 years in four different school districts. Dr. Price holds a Doctorate in Educational Administration and Policy from the University of Southern California. Dr. Price was a part-time faculty member at the University of Southern California and has participated as an analyst in various statewide adequacy studies with Picus and Associates.

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

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

Director of Treasury and Accounting Controls from July 2007 through June 2008. Mr. Rosnick served as the District's Controller beginning in June 2008 and became Deputy Controller in June 2011. Prior to joining the District, Mr. Rosnick served as an Administrator at the Orange County Department of Education and as a Financial Officer with LACOE. Mr. Rosnick graduated from the University of Washington with a Bachelor of Arts degree with Distinction in Economics and received a Master of Business Administration degree from the University of Texas at Austin. Mr. Rosnick is a member of the Government Finance Officers Association and the CFA Institute.

School Facilities

The District is the second largest public school district in the United States and is the largest public school district in the State. Based on the District's second interim report for fiscal year 2018-19 (the "Fiscal Year 2018-19 Second Interim Report"), the projected K-12 enrollment in the District for fiscal year 2018-19 consists of 598,744 students, including those attending fiscally independent charter schools ("Fiscally Independent Charter Schools"), magnet, opportunity, and continuation schools and centers, locally-funded affiliated charter schools ("Affiliated Charter Schools"), and schools for the handicapped. As of June 30, 2018, the District operated 1,063 schools and centers, which consisted of 448 elementary schools, 82 middle/junior high schools, 94 senior high schools, 54 options schools, 177 magnet centers, 49 magnet schools, 25 multi-level schools, 14 special education schools, 2 community adult schools, 6 regional occupational centers, 3 skills centers, 86 early education centers, 4 infant centers, and 19 primary school centers. As of June 30, 2018, 53 of the District's schools were operated as Affiliated Charter Schools. In addition, as of June 30, 2018, the District oversaw 224 Fiscally Independent Charter Schools within the District's boundaries. See "STATE FUNDING OF SCHOOL DISTRICTS – Charter School Funding" herein.

Average Daily Attendance

The District's Fiscal Year 2018-19 Second Interim Report projects that enrollment in the District, excluding the Fiscally Independent Charter Schools within the District's boundaries, will decline by 2.9% in fiscal year 2018-19 compared to fiscal year 2017-18. The District believes that enrollment declines are due to, among other things, the reduced birth rate in the County, increased costs of living and housing costs in southern California and increased numbers of school-age students in the District's boundaries attending Fiscally Independent Charter Schools rather than District schools. As a result of this declining enrollment in District schools, the District's annual average daily attendance ("ADA") declined in fiscal years 2017-18 and 2018-19 and is expected to further decline in fiscal years 2019-20 and 2020-21. The following Table A-1 sets forth the District's annual ADA for fiscal years 2009-10 through 2018-19.

TABLE A-1

LOS ANGELES UNIFIED SCHOOL DISTRICT
 Annual Average Daily Attendance
 Fiscal Years 2009-10 through 2018-19

Fiscal Year	K-12 ⁽¹⁾	Affiliated Charter Schools ⁽²⁾	Total
2009-10	570,057	6,906	576,963
2010-11	557,584	7,866	565,450
2011-12	534,093	13,499	547,592
2012-13	505,513	28,832	534,345
2013-14	487,929	39,633	527,562
2014-15	475,801	39,944	515,745
2015-16	463,581	39,632	503,213
2016-17	448,240	41,143	489,383
2017-18	437,780	40,207	477,987
2018-19	411,105	38,692	449,797

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

⁽²⁾ Includes charter schools that are fiscally-affiliated with the District which were funded with block grants until fiscal year 2012-13. Beginning fiscal year 2013-14, such charter schools are funded by the LCFF (defined herein).

Sources: Los Angeles Unified School District Comprehensive Annual Financial Report for fiscal years 2009-10 through 2015-16, the Audited Annual Financial Report for fiscal years 2016-17 and 2017-18, and the District for fiscal year 2018-19.

STATE FUNDING OF SCHOOL DISTRICTS

General

School districts in the State receive operating revenues from federal, State and local sources, including appropriations from the State’s general fund and local property taxes derived from a school district’s share of the 1% *ad valorem* property tax. School districts also currently receive revenues from the State attributable to temporary tax increases implemented by Proposition 30 (defined herein). In connection with voter approval of Proposition 55 (defined herein), certain of such temporary tax increases will be extended by twelve years. See “CALIFORNIA CONSTITUTIONAL AND STATUTORY PROVISIONS RELATING TO *AD VALOREM* PROPERTY TAXES, DISTRICT REVENUES AND APPROPRIATIONS – Proposition 30” herein. School districts, such as the District, may be eligible for other special categorical funding, including funding for certain State and federal programs. The amount of categorical funding appropriated to a school district may vary significantly from other school districts and yearly. Currently, the District receives approximately 89% of District General Fund revenues from funds of or controlled by the State. As a result, decreases in State revenues, or in State legislative appropriations made to fund education, may significantly affect District operations. See “– Local Control Funding Formula” and “DISTRICT FINANCIAL INFORMATION – District Budget” herein.

Article XVI of the State Constitution requires that from all State revenues, there first be set apart the moneys to be applied by the State for support of the public school system and public institutions of higher education. See “CALIFORNIA CONSTITUTIONAL AND STATUTORY PROVISIONS RELATING TO *AD VALOREM* PROPERTY TAXES, DISTRICT REVENUES AND APPROPRIATIONS – Constitutionally Required Funding of Education” herein. The State Legislature and the Governor approve the State’s authorized appropriations for school districts each fiscal year in connection with the adoption of the State Budget Act (defined herein). Proposition 98 (“Proposition 98”), approved in November 1988 as a combined initiative constitutional amendment and statute called the

“Classroom Instructional Improvement and Accountability Act,” provides the minimum funding formula for school districts. See “CALIFORNIA CONSTITUTIONAL AND STATUTORY PROVISIONS RELATING TO *AD VALOREM* PROPERTY TAXES, DISTRICT REVENUES AND APPROPRIATIONS – Proposition 98” herein. Under Proposition 98 (as modified by Proposition 111, which was enacted on June 5, 1990), there are currently three tests which determine the minimum level of K-14 funding. See “CONSTITUTIONAL AND STATUTORY PROVISIONS RELATING TO *AD VALOREM* PROPERTY TAXES, DISTRICT REVENUES AND APPROPRIATIONS” and “STATE FUNDING OF SCHOOL DISTRICTS – Local Control Funding Formula” herein. Proposition 98 permits the State Legislature, by two-thirds vote of both houses and with the Governor’s concurrence, to suspend the K-14 schools’ minimum funding formula for a one-year period. The amount of suspension is required to be repaid according to a specified State Constitutional formula, thereby restoring Proposition 98 funding to the level that would have been required in the absence of such suspension.

The actual appropriations and the timing of such appropriations are subject to, among other things, the estimated amount of State general fund revenues during the fiscal year and subsequent changes in State law. The 2018-19 State Budget includes a Proposition 98 minimum guarantee for fiscal year 2018-19 of \$78.4 billion, which is an increase in funding of \$2.8 billion from fiscal year 2017-18. See “– State Budget Act – 2018-19 State Budget” herein.

Since fiscal year 2013-14, the amount of funds an individual school district receives from State revenues depends on the amount of revenues the State calculates that the school district should receive based on the Local Control Funding Formula (the “LCFF”), less the amount the school district derives from such school district’s share of the 1% *ad valorem* property tax. See “– Local Control Funding Formula” and “CALIFORNIA CONSTITUTIONAL AND STATUTORY PROVISIONS RELATING TO *AD VALOREM* PROPERTY TAXES, DISTRICT REVENUES AND APPROPRIATIONS – Constitutionally Required Funding of Education” herein.

The State Budget Process

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

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

may also be provided by statute or the State Constitution. Funds necessary to meet an appropriation need not be in the State Treasury at the time such appropriation is enacted; revenues may be appropriated in anticipation of their receipt. However, delays in the adoption of a final State budget in any fiscal year may affect payments of State funds during such budget impasse. See “– State Funding of Schools Without a State Budget” herein for a description of payments of appropriations during a budget impasse.

The description above and below of the State’s budget has been obtained from publicly available information which the District believes to be reliable; however, the District, its counsel (including Bond Counsel and Disclosure Counsel), and the Municipal Advisor do not guarantee the accuracy or completeness of this information and have not independently verified such information. Additional information regarding State budgets is available at various State-maintained websites, including www.dof.ca.gov. The website is not incorporated herein by reference and the District, its counsel (including Bond Counsel and Disclosure Counsel), and the Municipal Advisor do not make any representation as to the accuracy of the information provided therein.

State Budget Act

2018-19 State Budget. The Governor signed the fiscal year 2018-19 State Budget (the “2018-19 State Budget”) on June 27, 2018. The 2018-19 State Budget sets forth a balanced budget for fiscal year 2018-19 that projects approximately \$133.33 billion in revenues, and \$83.82 billion in non-Proposition 98 expenditures and \$54.87 billion in Proposition 98 expenditures. The 2018-19 State Budget includes a \$1.96 billion reserve in the special fund for economic uncertainties. The 2018-19 State Budget uses dedicated proceeds from Proposition 2 to pay down approximately \$1.75 billion in past budgetary borrowing and State employee pension liabilities. The 2018-19 State Budget includes total funding of \$97.2 billion (\$56.1 billion general fund and \$41.1 billion other funds) for all kindergarten through grade 12 (“K-12”) education programs. The 2018-19 State Budget provides \$3.7 billion in new funding for the LCFF, which fully implements the school district and charter school formula two years earlier than originally scheduled, including both a 2.71% cost of living adjustment and an additional \$570 million above the cost of living adjustment as an ongoing increase to the formula. The 2018-19 State Budget also provides \$300 million one-time Proposition 98 general fund resources for the Low-Performing Students Block Grant, which will provide resources in addition to LCFF funds to local educational agencies with students who perform at the lowest levels on the State’s academic assessments and do not generate supplemental LCFF funds or State or federal special education resources.

Certain budgeted adjustments for K-12 education set forth in the 2018-19 State Budget include the following:

- **Statewide System of Support.** The 2018-19 State Budget includes \$57.8 million in Proposition 98 general fund resources for county offices of education to provide technical assistance to school districts, of which \$4 million will go towards geographical regional leads to build systemwide capacity to support school district improvement.
- **Multi-Tiered Systems of Support (MTSS).** The 2018-19 State Budget includes \$15 million one-time Proposition 98 general fund resources to expand the State’s MTSS framework to foster positive school climate in both academic and behavioral areas.
- **Community Engagement Initiative.** The 2018-19 State Budget includes \$13.3 million one-time Proposition 98 general fund resources for the California Collaborative for Educational Excellence and a co-lead county office of education to help school districts build capacity for community engagement in the local control and accountability plan (“LCAP”) process.

- California Collaborative for Educational Excellence. The 2018-19 State Budget includes \$11.5 million Proposition 98 general fund resources to support the California Collaborative for Educational Excellence in its role within the statewide system of support.
- Special Education Local Plan Area (SELPA) Technical Assistance. The 2018-19 State Budget includes \$10 million Proposition 98 general fund resources for SELPAs to assist county offices of education in providing technical assistance to school districts identified for differentiated assistance (specific to students with exceptional needs) within the statewide system of support.
- Strong Workforce Program. The 2018-19 State Budget includes \$164 million ongoing Proposition 98 general fund resources to establish a K-12 specific component within the Strong Workforce Program designed to encourage local educational agencies to offer high-quality career technical education programs that are aligned with needed industry skills and regional workforce development efforts occurring through the existing Strong Workforce Program.
- Career Technical Education Incentive Grant Program. The 2018-19 State Budget includes \$150 million ongoing Proposition 98 general fund resources to make permanent the Career Technical Education Incentive Grant Program.
- Inclusive Early Education Expansion Program. The 2018-19 State Budget creates the Inclusive Early Education Expansion Program, providing \$167.2 million one-time Proposition 98 general fund resources through a competitive grant program to increase the availability of inclusive early education and care for children aged zero to five years old, especially in low-income areas and in areas with relatively low access to care.

The complete 2018-19 State Budget is available from the California Department of Finance website at www.dof.ca.gov. The District can take no responsibility for the continued accuracy of this internet address or for the accuracy, completeness or timeliness of information posted therein, and such information is not incorporated herein by such reference.

Proposed 2019-20 State Budget. The Governor released his proposed State budget for fiscal year 2019-20 (the “Proposed 2019-20 State Budget”) on January 10, 2019. The Proposed 2019-20 State Budget sets forth a balanced budget for fiscal year 2019-20. However, the Governor cautions that there are uncertainties that must be considered as the budget is revised, including the impact of the global political and economic climate, changes to federal policy, rising costs and risk of recession. The Proposed 2019-20 State Budget estimates that total resources available in fiscal year 2018-19 totaled approximately \$149.32 billion (including a prior year balance of approximately \$12.38 billion) and total expenditures in fiscal year 2018-19 totaled approximately \$144.08 billion. The Proposed 2019-20 State Budget projects total resources available for fiscal year 2019-20 of approximately \$147.86 billion, inclusive of revenues and transfers of approximately \$142.62 billion and a prior year balance of \$5.24 billion. The Proposed 2019-20 State Budget projects total expenditures of \$144.20 billion, inclusive of non-Proposition 98 expenditures of approximately \$88.90 billion and Proposition 98 expenditures of approximately \$55.30 billion. The Proposed 2019-20 State Budget proposes to allocate approximately \$1.39 billion of the general fund’s projected fund balance to the Reserve for Liquidation of Encumbrances and \$2.28 billion of such fund balance to the State’s special fund for economic uncertainties. In addition, the Proposed 2019-20 State Budget estimates the Rainy Day Fund will have a fund balance of \$15.30 billion.

Certain budgeted adjustments for K-12 education set forth in the Proposed 2019-20 State Budget include the following:

- Local Control Funding Formula. The Proposed 2019-20 State Budget includes an increase of \$2 billion in Proposition 98 general fund resources for the LCFF.
- CalSTRS Pension Costs. The Proposed 2019-20 State Budget includes a \$3 billion one-time payment of non-Proposition 98 general fund resources to CalSTRS to reduce long-term liabilities for local educational agencies and community colleges, of which \$700 million will go towards buying down employer contribution rates in fiscal years 2019-20 and 2020-21. The remaining \$2.3 billion will be allocated to the employers' long-term unfunded liability.
- Statewide System of Support. The Proposed 2019-20 State Budget includes an increase of \$20.2 million of Proposition 98 general fund resources for county offices of education to provide technical assistance to school districts, consistent with the formula adopted in the 2018-19 State Budget.
- Special Education. The Proposed 2019-20 State Budget includes \$576 million of Proposition 98 general fund resources, of which \$186 million is on a one-time basis, to support expanded special education services and school readiness supports at local educational agencies with high percentages of both students with disabilities and unduplicated students who are low-income, youth in foster care, and English language learners.
- Access to Full-Day Kindergarten Programs. The Proposed 2019-20 State Budget includes an increase of \$750 million of one-time non-Proposition 98 general fund resources to increase participation in kindergarten programs by constructing new or retrofitting existing facilities for full-day kindergarten programs.
- Longitudinal Education Data. The Proposed 2019-20 State Budget includes an increase of \$10 million of one-time non-Proposition 98 general fund resources for the development of a longitudinal data system to improve coordination across educational data systems and track the impact of state investments on achieving educational goals. This system will host student information from early education providers, K-12 schools, higher education institutions, employers, other workforce entities, and health and human services agencies. Stakeholder meetings will be held to consider data reliability and ways to improve data quality at each education segment.
- Proposition 98 Certification. The Proposed 2019-20 State Budget proposes to revise the Proposition 98 certification process to eliminate the cost allocation schedule and prohibit the State from adjusting Proposition 98 funding levels for a prior fiscal year in order to protect local educational agencies from unanticipated revenue drops in past fiscal years.
- School District Average Daily Attendance. The Proposed 2019-20 State Budget includes a decrease of \$388 million of Proposition 98 general fund resources in 2018-19 for school districts as a result of a decrease in projected average daily attendance from the 2018-19 State Budget, and a decrease of \$187 million of Proposition 98 general fund resources in 2019-20 for school districts as a result of further projected decline in average daily attendance for 2019-20.
- Local Property Tax Adjustments. The Proposed 2019-20 State Budget includes a decrease of \$283 million of Proposition 98 general fund resources for school districts and county offices of

education in 2018-19 as a result of higher offsetting property tax revenues, and a decrease of \$1.25 billion of Proposition 98 general fund resources for school districts and county offices of education in 2019-20 as a result of increased offsetting property taxes

- Cost-of-Living Adjustments. The Proposed 2019-20 State Budget includes an increase of \$187 million of Proposition 98 general fund resources to support a 3.46% cost-of-living adjustment for categorical programs that remain outside of the LCFF, including Special Education, Child Nutrition, State Preschool, Youth in Foster Care, the Mandates Block Grant, American Indian Education Centers, and the American Indian Early Childhood Education Program.
- CalWORKs Stages 2 and 3 Child Care. The Proposed 2019-20 State Budget includes a net increase of \$119.4 million of non-Proposition 98 general fund resources in 2019-20 to reflect increases in the number of CalWORKs child care cases. Total costs for Stage 2 and Stage 3 child care are \$597 million and \$482.2 million, respectively.
- Full-Year Implementation of Prior Year State Preschool Slots. The Proposed 2019-20 State Budget includes an increase of \$26.8 million of Proposition 98 general fund resources to reflect full-year costs of 2,959 full-day State Preschool slots implemented part-way through fiscal year 2018-19.
- County Offices of Education. The Proposed 2019-20 State Budget includes an increase of \$9 million of Proposition 98 general fund resources for county offices of education to reflect a 3.46% cost-of-living adjustment and average daily attendance changes applicable to the LCFF.
- Emergency Readiness, Response and Recovery Grant. The Proposed 2019-20 State Budget includes an increase of \$50 million of one-time non-Proposition 98 general fund resources to commence a comprehensive, statewide education campaign on disaster preparedness and safety.

The complete Proposed 2019-20 State Budget is available from the California Department of Finance website at www.dof.ca.gov. The District can take no responsibility for the continued accuracy of this internet address or for the accuracy, completeness or timeliness of information posted therein, and such information is not incorporated herein by such reference.

May Revision to the 2019-20 Proposed State Budget. The Governor released the May Revision to the proposed fiscal year 2019-20 State budget (the “2019-20 May Revision”) on May 9, 2019. The 2019-20 May Revision proposes a balanced budget for fiscal year 2019-20. The 2019-20 May Revision projects an increase of \$3.2 billion in short-term general fund revenues as compared to the Proposed 2019-20 State Budget. However, most of the increased revenues are constitutionally obligated to reserves, debt repayments and schools. Therefore, the budget surplus remains relatively unchanged. The 2019-20 May Revision estimates that total resources available in fiscal year 2018-19 will be approximately \$149.47 billion (including revenues and transfers of \$138.05 billion and a prior year balance of \$11.42 billion) and total expenditures in fiscal year 2018-19 will be approximately \$143.24 billion. The 2019-20 May Revision projects total resources available for fiscal year 2019-20 of approximately \$150.06 billion, inclusive of revenues and transfers of approximately \$143.84 billion and a prior year balance of approximately \$6.22 billion. The 2019-20 May Revision projects total expenditures of approximately \$147.03 billion, inclusive of non-Proposition 98 expenditures of \$91.13 billion and Proposition 98 expenditures of \$55.90 billion. The 2019-20 May Revision proposes to allocate approximately \$1.39 billion of the State general fund’s projected fund balance to the Reserve for Liquidation of Encumbrances and approximately \$1.65 billion of such fund balance to the State’s special fund for economic

uncertainties. In addition, the 2019-20 May Revision estimates that the State's Proposition 2 rainy day fund (the "Rainy Day Fund") will have a fund balance of approximately \$16.52 billion.

The 2019-20 May Revision assumes slow economic expansion and a balanced budget through fiscal year 2019-20, although its forecasts are limited by growing uncertainty related to the global political and economic climate, federal policies, rising costs and the duration of the current economic expansion. The 2019-20 May Revision projects that the Rainy Day Fund will reach its maximum of 10% of general fund revenues in fiscal year 2020-21. By the end of fiscal year 2022-23, the 2019-20 May Revision projects that the Rainy Day Fund balance will have a balance of \$18.7 billion.

The 2019-20 May Revision includes total funding of \$101.8 billion for all K-12 education programs, including \$58.9 billion from the general fund and \$42.9 billion from other funds.

Certain adjustments and budgetary proposals for K-12 education set forth in the 2019-20 May Revision include the following:

- Proposition 98 Minimum Guarantee. The 2019-20 May Revision projects increased Proposition 98 funding by \$78.4 million in fiscal year 2017-18, \$278.8 million in fiscal year 2018-19 and \$389.3 million in fiscal year 2019-20, due to increase in general fund revenues, an increase in the minimum guarantee funding level in fiscal year 2017-18 and a slightly slower decline in ADA than projected in the Proposed 2019-20 State Budget.
- Public School System Stabilization Account. For the first time, the 2019-20 May Revision projects that a deposit is required to the Public School System Stabilization Account in the amount of \$389.3 million in Proposition 98 resources.
- Special Education. The 2019-20 May Revision proposes to allocate \$696.2 million in ongoing Proposition 98 general fund resources to special education, \$119.2 million more than set forth in the Proposed 2019-20 State Budget, to increase coordination between local general education and special education programs, and for program governance and accountability for special education student outcomes.
- Retaining Well-Prepared Educators. The 2019-20 May Revision includes \$89.8 million in one-time non-Proposition 98 general fund resources for loan repayments of newly credentialed teachers to work in high-need schools. The 2019-20 May Revision also includes \$44.8 million in one-time non-Proposition 98 general fund resources to provide training and resources for classroom educators, including teachers and paraprofessionals, and \$13.9 million in ongoing federal funds for professional learning opportunities for public school administrators supporting diverse student populations in State public schools.
- Access to Computer Science Education. The 2019-20 May Revision includes \$15 million in one-time Proposition 98 general fund resources for broadband infrastructure and \$1 million in one-time non-Proposition 98 general fund resources for the State Board of Education to establish a State Computer Science Coordinator.
- CalSTRS Employer Contribution Rate. The 2019-20 May Revision includes \$150 million in one-time non-Proposition 98 general fund resources to reduce the employer contribution rate to 16.7% in fiscal year 2019-20.

- Local Control Funding Formula Adjustments. The 2019-20 May Revision proposes an increase of \$70 million in Proposition 98 general fund resources in fiscal year 2018-19 and a decrease of \$63.9 million in Proposition 98 general fund resources in fiscal year 2019-20 for school districts, charter schools and county offices of education to reflect changes in ADA and cost-of-living in fiscal year 2019-20 that affect the LCFF calculation.
- Classified School Employees Summer Assistance Program. The 2019-20 May Revision includes an increase of \$36 million in one-time Proposition 98 general fund resources to provide an additional year of funding for the Classified School Employees Summer Assistance Program, which provides a State match for classified employee savings used to provide income during summer months.
- Local Property Tax Adjustments. The 2019-20 May Revision proposes an increase of \$146.6 million of Proposition 98 general fund resources in fiscal year 2018-19 and \$142.1 million in fiscal year 2019-20 for school districts, special education local plan areas, and county offices of education as a result of lower offsetting property tax revenues in these years.
- Categorical Program Cost-of-Living Adjustments. The 2019-20 May Revision proposes to decrease the Proposition 98 general fund by \$7.4 million for selected categorical programs during fiscal year 2019-20. Such decrease reflects a change in the cost-of-living set forth in the Proposed 2019-20 State Budget of 3.46% to 3.26% in the 2019-20 May Revision.
- Categorical Program Growth. The 2019-20 May Revision proposes to increase the Proposition 98 general fund by \$7.6 million for selected categorical programs, based on updated estimates of ADA growth.

The complete 2019-20 May Revision is available from the California Department of Finance website at www.dof.ca.gov. The District can take no responsibility for the continued accuracy of this internet address or for the accuracy, completeness or timeliness of information posted therein, and such information is not incorporated herein by such reference.

Changes in State Budget. The final fiscal year 2019-20 State budget, which requires approval by a majority vote of each house of the State Legislature, may differ substantially from the Governor's budget proposal. Accordingly, the District cannot provide any assurances that there will not be any changes in the final fiscal year 2019-20 State budget from the Proposed 2019-20 State Budget or the 2019-20 May Revision. Additionally, the District cannot predict the impact that the final fiscal year 2019-20 State budget, or subsequent budgets, will have on its finances and operations. The final fiscal year 2019-20 State budget may be affected by national and State economic conditions and other factors which the District cannot predict.

Future Budgets and Budgetary Actions. The District cannot predict what future actions will be taken by the State Legislature and the Governor to address changing State revenues and expenditures or the impact such actions will have on State revenues available in the current or future years for education. The State budget will be affected by national and State economic conditions and other factors beyond the District's ability to predict or control. Certain actions could result in a significant shortfall of revenue and cash, and could impair the State's ability to fund schools during fiscal year 2019-20 and in future fiscal years. Certain factors, like an economic recession, could result in State budget shortfalls in any fiscal year and could have a material adverse financial impact on the District. As the Refunding Bonds are payable from *ad valorem* property taxes, the State budget is not expected to have an impact on the payment of the Refunding Bonds.

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

State Funding of Schools Without a State Budget

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

Local Control Funding Formula

General. Funding for school districts, charter schools and county offices of education in connection with the LCFF includes State apportionments for general operating costs (“State Aid”) and funding for categorical programs. During fiscal year 2017-18, approximately 74.9% of the District’s General Fund revenues were pursuant to the LCFF. During fiscal year 2018-19, the District projects that approximately 75.6% of the District’s General Fund revenues will consist of funds determined under the LCFF. The following Table A-2 sets forth the percentage of the District’s General Fund revenues that are derived from revenues under the LCFF, federal revenues, other State revenues and other local revenues for fiscal years 2014-15 through 2018-19.

TABLE A-2

**LOS ANGELES UNIFIED SCHOOL DISTRICT
General Fund Revenue Sources
Percentage of Total District General Fund Revenues⁽¹⁾
Fiscal Years 2014-15 through 2018-19**

Revenue Source	Fiscal Year 2014-15	Fiscal Year 2015-16	Fiscal Year 2016-17	Fiscal Year 2017-18	Fiscal Year 2018-19⁽²⁾
LCFF	73.9%	73.9%	75.9%	74.9%	75.6%
Federal Revenues	10.1	8.2	8.6	8.1	8.5
Other State Revenues	14.1	16.0	13.1	13.3	13.6
Other Local Revenues	2.0	2.0	2.4	3.7	2.3

⁽¹⁾ Sum of percentages may not equal 100% due to rounding.

⁽²⁾ Projected.

Sources: Los Angeles Unified School District Comprehensive Annual Financial Reports for fiscal years 2014-15 and 2015-16, Audited Annual Financial Report for fiscal years 2016-17 and 2017-18 and Fiscal Year 2018-19 Second Interim Report.

The LCFF allocates State funding based on a school district’s demographics. Each school district receives a base grant (the “Base Grant”) per ADA in an amount determined by the State. Pursuant to the LCFF, each local education agency (“LEA”) is required to, among other things, show progress toward an average class enrollment of no more than 24 pupils in kindergarten through grade 3, unless the LEA has entered into a collective bargaining agreement specifying an annual alternative average class enrollment in those grades for each school. Accordingly, the LCFF includes an adjustment to the Base Grant for kindergarten through grade 3 (the “K-3 Grade Span Adjustment”) of approximately 10.4% in order to cover the costs associated with class size reduction. In addition, the LCFF includes an adjustment to the Base Grant for grades 9 through 12 of approximately 2.6% in order to cover the costs of, among other things, providing career technical education.

Based on the ADA of the given demographic classification, school districts are eligible to receive a 20% supplemental grant (the “Supplemental Grant”) for students classified as English learners (“EL”), students eligible to receive a free or reduced price meal (“FRPM”), and students classified as foster youth (“LI”). The State expects the Supplemental Grants to reflect the additional costs associated with the education of EL, FRPM and LI students. In addition, school districts are eligible to receive a concentration grant (the “Concentration Grant”) if the school district has a significant concentration of students classified as EL, FRPM or LI (collectively, “Unduplicated Pupils”). The LCFF uses an unduplicated student count to determine the amount of the Supplemental Grant and Concentration Grant authorized for a school district. A school district may only count a student one time if such student is classified in more than one of the EL, FRPM and LI categories. In the event the percentage of Unduplicated Pupils exceeds 55% of a school district’s total enrollment, the LCFF provides additional funding to the school district through a Concentration Grant. The Concentration Grant will be an amount equal to an additional 50% of the school district’s adjusted Base Grant, which includes the cost of living adjustment and grade span adjustments, if any, for each Unduplicated Pupil above the 55% threshold.

The Base Grants are based on four uniform, grade-span base rates. For fiscal year 2018-19, the LCFF provided to school districts and charter schools: (a) a Target Base Grant for each LEA equivalent to \$8,235 per ADA for kindergarten through grade 3; (b) a Target Base Grant for each LEA equivalent to \$7,571 per ADA for grades 4 through 6; (c) a Target Base Grant for each LEA equivalent to \$7,796 per ADA for grades 7 and 8; (d) a Target Base Grant for each LEA equivalent to \$9,269 per ADA for grades 9 through 12. However, the amount of actual funding allocated to the Base Grant, Supplemental Grants and Concentration Grants will be subject to the discretion of the State.

The District has the largest ADA in the State. See “DISTRICT GENERAL INFORMATION – Average Daily Attendance” herein. In addition, the District’s ADA includes a significant number of students classified as Unduplicated Pupils. Accordingly, the District expects to receive more LCFF funding than other school districts in the State. The Fiscal Year 2018-19 Second Interim Report projects that approximately 85.47% of students attending non-charter schools of the District will be classified as Unduplicated Pupils under the LCFF during fiscal year 2018-19. The percentage of students classified as Unduplicated Pupils is based on a three-year rolling average. The District’s calculation of ADA with respect to Unduplicated Pupils, which is used to determine Supplemental and Concentration Grant revenues, is subject to adjustment upon review thereof by the District’s independent auditor.

The following Table A-3 sets forth the total target entitlement and transition entitlement from the LCFF in fiscal year 2017-18. The target entitlement under the LCFF reflects the amount available once the LCFF is fully funded, which occurred in the current fiscal year 2018-19. As a result, for fiscal year 2018-19, the table reflects that the District reached its target entitlement for the District and the Affiliated Charter Schools, such that there is no transition entitlement or LCFF Gap Funding (defined herein) for the District and the Affiliated Charter Schools. See “– *Local Control Funding Formula Gap Funding*” herein.

As shown in Table A-3, the Affiliated Charter Schools collectively received additional funding that exceeded their target entitlement as a result of what is termed the “Economic Recovery Target.” The Economic Recovery Target is the difference between the amount a school district or charter school would have received under the old funding system and the estimated amount it would receive for LCFF funding in fiscal year 2020-21, based on certain criteria. Only school districts and charter schools that were at, or below, the 90th percentile of per-pupil funding rates of school districts under the pre-fiscal year 2013-14 funding system, as determined at the certification of the State’s second principal apportionment in fiscal year 2013-14, are eligible for Economic Recovery Target payments. Based on this criteria, the District is not entitled to receive Economic Recovery Target funding. However, certain of the District’s Affiliated Charter Schools are entitled to the Economic Recovery Target funding and received \$618,944, collectively, in fiscal year 2017-18, and are expected to receive approximately \$742,733, collectively, in fiscal year 2018-19.

TABLE A-3

**LOS ANGELES UNIFIED SCHOOL DISTRICT
Estimated Local Control Funding Formula
Fiscal Years 2017-18 and 2018-19**

	<u>Fiscal Year 2017-18</u>		<u>Fiscal Year 2018-19</u>	
	<u>District</u>	<u>Affiliated Charter Schools</u>	<u>District</u>	<u>Affiliated Charter Schools</u>
Target Entitlement ⁽¹⁾	\$5,250,519,087	\$357,065,075	\$5,278,585,336	\$363,034,531
Transition Entitlement	\$5,096,451,762	\$345,882,647	\$5,278,585,336	\$363,777,264
Target Funding less Estimated Transition Entitlement	\$154,067,325	\$11,182,428	\$0	(\$742,733) ⁽²⁾
LCFF Gap Funding	42.97%		100%	

⁽¹⁾ The target entitlement represents the amount that an LEA will receive at full implementation of the LCFF. Accordingly, during the LCFF transition period, the target entitlement will not represent actual funding for most school districts. However, as of fiscal year 2018-19 when the LCFF was fully implemented, the target entitlement represents the actual amount received by the District.

⁽²⁾ Collectively the Affiliated Charter Schools received funding in excess of the target entitlement as a result of additional Economic Recovery Target funds received.

Sources: The District.

The following Table A-4 sets forth the District’s Base Grant per ADA for fiscal years 2013-14 through 2019-20 under the LCFF.

TABLE A-4

**LOS ANGELES UNIFIED SCHOOL DISTRICT
Adjusted Grant Per Average Daily Attendance
Fiscal Years 2013-14 through 2019-20**

<u>Fiscal Year</u>	<u>Grades K-3</u>	<u>Grades 4-6</u>	<u>Grades 7-8</u>	<u>Grades 9-12</u>
2013-14	\$7,676	\$7,056	\$7,266	\$8,638
2014-15	7,740	7,116	7,328	8,712
2015-16	7,820	7,189	7,403	8,801
2016-17	7,820	7,189	7,403	8,801
2017-18	7,941	7,301	7,518	8,939
2018-19	8,235	7,571	7,796	9,269
2019-20 ⁽¹⁾	8,520	7,833	8,066	9,590

⁽¹⁾ Projected, as set forth in the Fiscal Year 2018-19 Second Interim Report.

Sources: Los Angeles Unified School District Comprehensive Annual Financial Report for fiscal years 2013-14 through 2015-16; the District for fiscal years 2016-17 and 2017-18; Fiscal Year 2018-19 Second Interim Report.

Local Control Funding Formula Gap Funding. Prior to the full implementation of LCFF in the current fiscal year 2018-19, each school district had a gap between the school district’s prior year funding and the target amount of funding under the LCFF for the current year. In order to address this shortfall,

the LCFF provided school districts with additional funding based on the percentage of the gap (“LCFF Gap Funding”). The State provided school districts with the same percentage of LCFF Gap Funding, but the dollar amount of the LCFF Gap Funding will vary between school districts. For fiscal year 2014-15 and each fiscal year thereafter, an LEA’s funding amount will be based on a calculation of its target entitlement under the LCFF and technical calculations related to adjustments to its prior year’s funding.

The 2018-19 State Budget (as defined herein) provides \$3.7 billion in new funding for the LCFF, which fully implements the LCFF two years earlier than originally scheduled, including both a 2.71% cost of living adjustment and an additional \$570 million above the cost of living adjustment as an ongoing increase to the LCFF. See “– State Budget Act – 2018-19 State Budget” herein.

The following Table A-5 sets forth the LCFF Gap Funding percentages for fiscal years 2014-15 through 2018-19 and the LCFF cost of living adjustment (“COLA”) for fiscal years 2014-15 through 2018-19.

TABLE A-5

**LOS ANGELES UNIFIED SCHOOL DISTRICT
LCFF Gap Funding and Cost of Living Adjustment
Fiscal Years 2014-15 through 2018-19**

	<u>2014-15</u>	<u>2015-16</u>	<u>2016-17</u>	<u>2017-18</u>	<u>2018-19</u>
LCFF Gap Funding	30.16%	52.56%	56.08%	42.97%	100.00%
LCFF COLA	0.85%	1.02%	0.00%	1.56%	3.70%

Sources: California Department of Education.

Local Control and Accountability Plan. Pursuant to the LCFF, since July 1, 2014, school districts, county offices of education and charter schools have been required to develop, adopt and annually update a three-year local control and accountability plan (the “LCAP”). The LCAP is required to identify goals and measure progress for student subgroups across multiple performance indicators. The Education Code requires each school district to file with the county superintendent of schools such school district’s LCAP or annual update thereof not later than five days after its adoption. On or before August 15 of each year, the county superintendent of schools may seek clarification, in writing, from the governing board of such school district about the contents of the LCAP. The school district has the opportunity to respond to such request and the county of superintendent is authorized to submit recommendations for amendments to the LCAP. On or before October 8 of each year, the county superintendent of schools is required to approve each school district’s LCAP pending a determination that the school district has adhered to the template adopted by the State Board of Education, the school district’s budget includes expenditures sufficient to implement the specific actions and strategies included in the LCAP based on projected costs, and the school district has adhered to the Education Code with respect to funds apportioned for Unduplicated Pupils. On June 19, 2018, the District Board adopted the LCAP for the District for fiscal year 2018-19 and submitted the LCAP to LACOE in accordance with the Education Code.

The State’s priorities for each LCAP include, among other things, compliance with the *Williams* settlement with respect to appropriateness of teacher assignments, ensuring that teachers are fully credentialed in the subject areas and for the pupils they are teaching, and ensuring that every pupil in the school district has sufficient access to the standards-aligned instructional materials as determined in accordance with the Education Code. In addition, school facilities are to be maintained in good repair.

The State requires proper implementation of the academic content and performance standards adopted by the State Board of Education and will measure parental involvement (e.g., efforts to seek input from parents or guardians regarding decisions for the district and the school site), pupil achievement (e.g. performance on Statewide assessments, the academic performance index, readiness for college or career technical education, progress towards English proficiency, performance on advance placement examinations), pupil engagement (e.g., school attendance rates, chronic absenteeism rates, middle school dropout rates, high school dropout and graduation rates, pupil suspension and expulsion rates, etc.), access and enrollment in a broad course of study including the core subject areas and programs and services developed and provided to Unduplicated Pupils, and pupil outcomes in the subject areas comprising a broad course of study.

In November 2014, the State Board of Education adopted final regulations to govern the expenditure of the Supplemental Grant and Concentration Grant funding. These regulations require school districts, county offices of education, and charter schools to increase and improve services for Unduplicated Pupils and provide authority for school districts to spend funds school-wide when significant populations of Unduplicated Pupils attend a school. Pursuant to the regulations, LEAs are required to obtain input from parents of students and the general public in connection with the development, revision and updates of LCAPs. In addition, the regulations require County superintendents to review school district LCAPs and require county offices of education to provide technical assistance if they disapprove an LCAP. The Education Code grants the State Superintendent of Public Instruction authority to intervene if a school district or charter school fails to show improvement across multiple subgroups in three out of four consecutive years.

Charter School Funding

A charter school is a public school authorized by a school district, county office of education or the State Board of Education. State law requires that charter petitions be approved if they comply with the statutory criteria. The District has certain fiscal oversight and other responsibilities with respect to both Affiliated Charter Schools and Fiscally Independent Charter Schools located in the District geographic boundaries. However, Fiscally Independent Charter Schools are separate LEAs and receive revenues directly from the State. Affiliated charter schools receive their funding from the District and are included in the District's budgets and audit reports. Information regarding enrollment, ADA, budgets and other financial information relating to Fiscally Independent Charter Schools is not included in the District's audit reports or in this Official Statement unless otherwise noted.

Pursuant to the LCFF, Fiscally Independent Charter Schools and Affiliated Charter Schools will receive a Base Grant per ADA and are eligible to receive Supplemental Grants and Concentration Grants. See “ – Local Control Funding Formula” herein. The District operates 53 Affiliated Charter Schools and oversees 224 Fiscally Independent Charter Schools within the District boundaries. The annual ADA for the District's Affiliated Charter Schools is projected to be 38,692 in fiscal year 2018-19. The District projects the annual ADA of Fiscally Independent Charter Schools for fiscal year 2018-19 will be approximately 108,139. An increase in the number of Fiscally Independent Charter Schools within the boundaries of a school district or an increase in the number of students transferring to a Fiscally Independent Charter School or an Affiliated Charter School from a traditional school within a school district may cause a net reduction in the District's ADA.

Limitations on School District Reserves

Unless a school district is granted an exemption by its county superintendent of schools, amounts in its reserves may not exceed the limitations set forth in the Education Code once certain conditions precedent are met. Pursuant to Section 42127.01 of the Education Code, in a fiscal year immediately after

a fiscal year in which the amount of moneys in the Public School System Stabilization Account is equal to or exceeds 3% of the combined total of State general fund revenues appropriated for school districts and allocated local proceeds of taxes for that fiscal year, a school district budget that is adopted or revised shall not contain a combined assigned or unassigned ending general fund balance that is in excess of 10% of those funds. A county superintendent of schools may grant a school district under its jurisdiction an exemption from the reserves limitation for up to two consecutive fiscal years within a three-year period if the school district provides documentation indicating that extraordinary fiscal circumstances, including, but not limited to, multiyear infrastructure or technology projects, substantiate the need for a combined assigned or unassigned ending general fund balance that is in excess of the reserves limitation. The limitation applies once the Superintendent of Public Instruction notifies school districts and county offices of education that the conditions precedent are met. The Superintendent of Public Instruction is also required to notify school districts and county offices of education when those conditions no longer exist.

The State-imposed minimum recommended reserve for the District is accounted for in the Reserve for Economic Uncertainties. The District cannot predict the extent to which the State will fund the Public School System Stabilization Account. In addition, the District cannot predict what steps it will implement, if any, to adjust its budgeted reserves to comply with the amended Education Code. Further, the District cannot predict whether the limitations on reserves in the Education Code will apply solely to fund balances in the District's General Fund or if it will apply to other funds of the District. However, the District does not expect the limitations on reserves in the Education Code to adversely affect its ability to pay the principal of and interest on the Bonds described in the forepart of this Official Statement, which are payable from voter-approved *ad valorem* property taxes.

DISTRICT FINANCIAL INFORMATION

District Financial Policies

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

Budget and Finance Policy. The District has adopted a Budget and Finance Policy pursuant to which the District creates and funds reserves for operating purposes (collectively, the "Operating Reserves") and liability management purposes (collectively, the "Liability Reserves"). The Budget and Finance Policy reflects reserve categories promulgated by the Government Accounting Standards Board ("GASB") and incorporates certain reserve categories established by the District. See "STATE FUNDING OF SCHOOL DISTRICTS – Limitations on School District Reserves" herein.

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

Pursuant to the Budget and Finance Policy, the District's total General Fund balance may not be less than an amount equal to 5% of total General Fund expenditures and net transfers out during a fiscal year (the "5% Minimum Reserve Threshold"). In addition, the Budget and Finance Policy requires the projected General Fund balance to satisfy the 5% Minimum Reserve Threshold in each of the two subsequent fiscal years which the District includes in its interim financial reports. See "-- District Budget -- *Fiscal Year 2018-19 District Budget*" herein. In the event that the District's estimates indicate that the total General Fund balance will not satisfy the 5% Minimum Reserve Threshold in any of the current fiscal year or two subsequent fiscal years, the Budget and Finance Policy directs the District to develop and implement budget proposals to restore reserve balances to the 5% Minimum Reserve Threshold. Based on the Fiscal Year 2018-19 Second Interim Report and the Fiscal Stabilization Plan included therein, the District's Operating Reserves are expected to satisfy the 5% Minimum Reserve Threshold for fiscal years 2018-19, 2019-20 and 2020-21. However, the Fiscal Year 2018-19 Second Interim Report projects that the 1% statutory reserve requirement in fiscal year 2020-21 will not be met. Unlike the 5% Minimum Reserve Threshold, the 1% statutory reserve requirement is based on the unrestricted and unassigned ending fund balance only and does not take into account the restricted, committed, or assigned ending fund balances. See "-- District Budget -- *Second Interim Financial Report for Fiscal Year 2018-19 and Fiscal Stabilization Plan*" herein.

Liability Reserves. Pursuant to the Budget and Finance Policy, the District must establish several Liability Reserves, including a self-insurance reserve, a workers' compensation reserve (the "Workers' Compensation Fund"), a health and welfare reserve (the "Health and Welfare Benefits Fund"), and an other-post-employment benefits ("OPEB") reserve (the "OPEB Reserve"), and a pension (CalSTRS and CalPERS) reserve (the "Pension Reserve").

The amount required to be on deposit in the Workers' Compensation Fund is established with information from an independent actuary. The District determines the annual budget for workers' compensation by reviewing the amount necessary to fund its outstanding workers' compensation liability to the actuarially recommended level based on the central estimate approach and by additionally calculating the amount necessary for claims and operation of the Workers' Compensation Fund. The District uses the difference of the current fiscal year's central estimate versus that from the previous fiscal year to establish the amount necessary to fund projected liabilities. With respect to funding claims activity, the amount required to be on deposit in the Workers' Compensation Fund is based on the anticipated increase in claims cost in the current fiscal year versus the prior fiscal year. Such amount is generally higher than the amount recommended in the actuarial report. See "-- Risk Management and Litigation" herein.

The District Board approved the creation of an irrevocable trust for its OPEB liability (the "OPEB Trust Fund") in May 2014. The Budget and Finance Policy directs the District, subject to approval by the District Board, to make annual contributions to the OPEB Trust Fund when the balance in the General Fund exceeds the 5% Minimum Reserve Threshold to the extent possible. In the event that the unrestricted portion of the General Fund is above 5% of the unrestricted revenues (after the annual OPEB contribution has been determined), the Budget and Finance Policy directs the District to make an additional contribution from the assigned OPEB reserve to the OPEB Trust Fund. See "-- Other Postemployment Benefits" herein. As of June 30, 2018, the net position of the OPEB Trust Fund was \$387.85 million.

The Health and Welfare Benefits Fund is used to pay all health and welfare payments for active employees and retirees. The District determines funding of the Health and Welfare Benefits Fund based on the applicable health benefits agreement for each of the applicable years. See "-- Employees and Labor Relations -- *Negotiations Regarding Labor Contracts*" herein. As of June 30, 2018, the net position of the Health and Welfare Benefits Fund was approximately \$309 million.

Debt Management Policy. The Debt Management Policy establishes formal guidelines for the issuance and management of the District's debt and other financial obligations. The Debt Management Policy establishes targets and ceilings for certificates of participation ("COPs") and unhedged variable rate exposure and sets forth benchmark debt ratios that include both COPs and the District's general obligation bonds. The Debt Management Policy also requires the District to annually publish a comprehensive debt report that, among other things, provides information on tax rates related to the District's general obligation bonds and credit factors that reflect the District's ratings.

The Debt Management Policy is required to be reviewed annually. The current Debt Management Policy was approved by the District Board on May 8, 2018. The District is in compliance with the Debt Management Policy. The Debt Management Policy sets forth an annual gross debt service cap of \$105 million attributable to COPs and establishes a target of 2.0% and a ceiling of 2.5% for the ratio of gross COPs debt service to District General Fund expenditures. The District Board may increase the target at the time a new debt issuance is proposed, but such authority is not intended to exceed the ceiling established in the Debt Management Policy. As of June 30, 2018, the maximum fiscal year COPs debt service was approximately 0.36% of the District General Fund expenditures during fiscal year 2017-18.

The Debt Management Policy limits unhedged variable rate debt to the lesser of 20% of outstanding COPs or \$100 million and requires reporting of the debt ratios and benchmarks. As of February 1, 2019, the District had outstanding COPs in the aggregate principal amount of approximately \$180.55 million. The District currently has no variable rate COPs outstanding and no other variable interest rate exposure.

Investment Policy. The foremost objective of the District's Investment Policy is safety. In addition, the Investment Policy directs the District to invest public funds in a manner that will maximize the investment return on all of its funds with maximum security while meeting the daily cash flow demands of each portfolio of the District and conforming to all federal, State, and local statutes governing the investment of public funds. Further, the Investment Policy directs that all investments of the District be undertaken to ensure the preservation of capital in the overall portfolio. To attain this objective, the District may diversify its investments by investing funds among a variety of securities offering independent returns. In addition, the Investment Policy requires the District's investment portfolios remain sufficiently liquid to enable the District to meet its operating requirements and be structured to attain a maximum return commensurate with its investment risk constraints and the cash flow characteristics of each portfolio. The District is in compliance with the Investment Policy.

The District's operating funds and all of the debt service funds maintained for repayment of general obligation bonds are deposited in the County Treasury Pool in accordance with State law and managed pursuant to the County's Investment Policy, a copy of which can be found at <http://ttc.lacounty.gov/>. Such website is not incorporated herein by reference and the District, its counsel (including Bond Counsel and Disclosure Counsel), and the Municipal Advisor do not make any representation as to the accuracy of the information provided therein. See APPENDIX F – "THE LOS ANGELES COUNTY TREASURY POOL" attached hereto. However, with the concurrence of the County's Treasurer and Tax Collector, the District may direct the investment of funds in certain of its operating funds and debt service funds so long as such direction complies with both the County's investment policy and the District's Investment Policy. In addition, the District can direct the investment of indentured funds held by third party trustees with regard to certain issuances of COPs pursuant to a prescribed list of permitted investments.

District Budget

General School District Budget Process and Oversight. State law requires that each school district maintain a balanced budget in each fiscal year. The California Department of Education imposes a uniform budgeting and accounting format for school districts. Under current law, a school district governing board must adopt and file with the county superintendent of schools a budget by July 1 in each fiscal year. The District is under the jurisdiction of the County of Los Angeles Superintendent of Schools.

The county superintendent of schools must approve, conditionally approve, or disapprove the adopted budget for each school district by September 15 in accordance with the Education Code. The county superintendent of schools is required to examine the adopted budget for compliance with the standards and criteria adopted by the State Board of Education and identify technical corrections necessary to bring the budget into compliance with the established standards. The county superintendent of schools is also required to determine whether the adopted budget will allow the school district to meet its financial obligations during the fiscal year and is consistent with a financial plan that will enable the school district to satisfy its multiyear financial commitments. The Education Code directs the county superintendent of schools to disapprove any school district budget if it determines that the budget does not include expenditures necessary to implement an LCAP or an annual update to the LCAP. See “STATE FUNDING OF SCHOOL DISTRICTS – Local Control Funding Formula – *Local Control and Accountability Plan*” herein.

In the event that the county superintendent of schools conditionally approves or disapproves the school district’s budget, the county superintendent of schools will submit to the governing board of the school district no later than September 15 of such year recommendations regarding revisions of the budget and the reasons for the recommendations, including, but not limited to, the amounts of any budget adjustments needed before the county superintendent of schools can approve that budget. In addition, school districts must make available for public review any revisions to revenues and expenditures that it has made to its budget to reflect the funding made available by the State Budget Act (defined herein) not later than 45 days after the enactment of the State Budget Act.

The governing board of the school district, together with the county superintendent of schools, must review and respond to the recommendations of the county superintendent of schools before October 8 at a regular meeting of the governing board of the school district. The county superintendent of schools will examine and approve or disapprove of the revised budget by November 8 of such year. If the county superintendent of schools disapproves a revised budget, the county superintendent of schools will call for the formation of a budget review committee. By December 31 of each year, every school district must have an adopted budget, or the county superintendent of schools may impose a budget and will report such school district to the State Legislature and the Department of Finance. In prior years and in the current fiscal year 2018-19, LACOE has granted a conditional approval to certain of the District’s budgets pending, among other things, information regarding collective bargaining and other budgetary considerations. See “ – *Fiscal Year 2018-19 Revised District Budget*” below. However, in the last ten years, LACOE has not disapproved any budget submitted to it by the District.

Subsequent to approval, the county superintendent of schools will monitor each school district under its jurisdiction throughout the fiscal year pursuant to its adopted budget to determine on an ongoing basis if the school district can meet its current or subsequent year financial obligations. If the county superintendent of schools determines that a school district cannot meet its current or the subsequent year’s obligations, the county superintendent of schools will notify the school district’s governing board, the Superintendent of Public Instruction and the president of the State board (or the president’s designee) of the determination and take at least one of the following actions, and all actions that are necessary to ensure that the school district meets its financial obligations: (a) develop and impose, after also consulting

with the Superintendent of Public Instruction and the school district's governing board, revisions to the budget that will enable the school district to meet its financial obligations in the current fiscal year, (b) stay or rescind any action inconsistent with the ability of the school district to meet its obligations for the current or subsequent fiscal year, (c) assist in developing, in consultation with the school district's governing board, a financial plan that will enable the school district to meet its future obligations, (d) assist in developing, in consultation with the school district's governing board, a budget for the subsequent fiscal year and (e) as necessary, appoint a fiscal advisor to perform the aforementioned duties. The county superintendent of schools will also make a report to the Superintendent of Public Instruction and the president of the State board or the president's designee about the financial condition of the school district and the remedial actions proposed by the county superintendent of schools. However, the county superintendent of schools may not abrogate any provision of a collective bargaining agreement that was entered into prior to the date upon which the county superintendent of schools assumed authority.

Fiscal Year 2018-19 Revised District Budget. The District's budget for fiscal year 2018-19 was initially adopted by the District Board on June 19, 2018, but received conditional approval by LACOE. At LACOE's request, the District revised its budget for fiscal year 2018-19, which was subsequently adopted by the District Board on October 2, 2018 (the "Fiscal Year 2018-19 Revised District Budget").

The Fiscal Year 2018-19 Revised District Budget projects a General Fund beginning balance of approximately \$2.00 billion, revenues of \$7.41 billion, total estimated expenditures of \$7.49 billion, other financing sources and uses of negative \$41.61 million, and an ending balance of \$1.87 billion. The projected General Fund beginning balance of \$2.00 billion for fiscal year 2018-19 is approximately \$233.87 million greater than the fiscal year 2017-18 unaudited actual beginning balance. The Fiscal Year 2018-19 Revised District Budget projects that its General Fund ending balance of \$1.87 billion will consist of approximately \$75.62 million for the mandatory Reserve for Economic Uncertainties, \$27.56 million of non-spendable revolving cash, stores, and prepaid expenditures, \$74.40 million of restricted ending balances, \$91.89 million of committed ending balances, \$904.12 million of assigned ending balances and \$699.39 million of undesignated and unassigned ending balances.

In its November 2018 letter regarding the Fiscal Year 2018-19 Revised District Budget, LACOE expressed concerns over the District's structural deficit and use of one-time funds from assignment and reserves to offset ongoing expenditures. According to LACOE's analysis of the District's Fiscal Year 2018-19 Revised District Budget, the District's reserves will decrease by 90.17% over the next three fiscal years, and in fiscal year 2020-21 its reserves will be depleted to less than the minimum amount permitted based on State criteria. To address this, LACOE required the District to submit a revised fiscal stabilization plan in connection with the District's first interim report for fiscal year 2018-19. Subsequently, effective January 2019, LACOE assigned a team of fiscal experts to work with the District to develop a further revised fiscal stabilization plan to eliminate deficit spending and restore the required levels of financial reserves. After the adoption of the Fiscal Year 2018-19 Revised District Budget, the District entered into the UTLA Agreement (defined herein), which included certain salary increases and other costs. See " – *Second Interim Financial Report for Fiscal Year 2018-19 and Fiscal Stabilization Plan*" below and "Employees and Labor Relations – *Negotiations Regarding Labor Contracts*" herein for more information.

The Fiscal Year 2018-19 Revised District Budget includes certain assumptions and policies, including:

- a COLA of 3.70% and LCFF Gap Funding (defined herein) percentage of 100% for LCFF (defined herein) revenues;
- COLA of 2.71% for selected categorical programs outside of the LCFF;

- LCFF funded ADA (defined herein) of 431,633.91 for non-charter schools and 40,220.57 for Affiliated Charter Schools;
- three-year rolling average unduplicated count and percentage of 394,840 and 85.86%, respectively, for non-charter schools and 18,194 and 44.81%, respectively, for Affiliated Charter Schools;
- an LCFF allocation of \$710.0 million from the Education Protection Account (the “Education Protection Account”) established by Proposition 30 (defined herein) to be spent for instruction;
- LCFF supplemental and concentration expenditure of \$1,211 million, which includes the additional proportionality expenditures for the realignment and redesign process (see “– Risk Management and Litigation – *Litigation Regarding the Local Control Funding Formula*” and “– District Budget – *Expenditures for Unduplicated Pupils*” herein);
- a COLA of 2.71% on the special education apportionment from the State under Assembly Bill 602 (1997);
- a net enrollment decline of 16,140 students from fiscal year 2017-18 for non-charter and Affiliated Charter Schools;
- an enrollment increase of approximately 4,839 students for Fiscally Independent Charter Schools;
- one-time Discretionary Fund (Mandated Cost Reimbursement) of \$184 per ADA which yields an estimated revenue of \$87.9 million;
- funding for employee health and medical benefits at the per participant rate set forth in the 2018-2020 Health Benefits Agreement (defined herein);
- no contribution to the OPEB Trust Fund for fiscal year 2018-19, which is contrary to the budget initially adopted by the District Board in June and Finance Policy in November 2013. Any new one-time funding received by the District should be used to make such contribution;
- an increase of 1.85% in the contribution rate for CalSTRS (defined herein) for fiscal year 2018-19 from 14.43% to 16.28%;
- an increase of 2.531% of the CalPERS (defined herein) employer contribution rate for fiscal year 2018-19 from 15.531% to 18.062%;
- a California consumer price index of 3.66% on other operating expenditures, except utilities which is projected to increase by 13.21%;
- ongoing and major maintenance resources of \$226.7 million, which amount constitutes approximately 3% of the District’s budgeted General Fund expenditures;
- support to the cafeteria program and child development from the General Fund of \$27.2 million and \$41.3 million, respectively, in fiscal year 2018-19;
- a contribution of \$126.3 million to the Workers’ Compensation Fund; inclusion of the total Workers’ Compensation actuarially-determined funded liability of \$463.0 million;

- inclusion of general obligation bonds and COPs (defined herein) proceeds, debt service and other interfund transfer expenditures and revenues in fiscal year 2018-19;
- a Reserve for Economic Uncertainties totaling \$75.6 million, which reflects the statutory 1% budgeted expenditure requirement and other financing uses;
- inclusion of beginning balances in the General Fund and other funds for fiscal year 2018-19, reflecting the ending balance as of June 2018, contained in the District’s unaudited actuals for fiscal year 2017-18;
- estimated ending balances for the General Fund and other funds for fiscal year 2018-19, which reflect the difference between the estimated revenue and expenditure levels for fiscal year 2018-19;
- authority to transfer amounts, as necessary, to implement technical adjustments related to the Fiscal Year 2018-19 Revised District Budget;
- authority to implement new revenues for fiscal year 2018-19, if any, and increase budgeted appropriations accordingly;
- carryover of General Fund School Program to individual school sites from fiscal year 2017-18 to 2018-19;
- release of carryover from certain schools and central programs;
- inclusion of 2018-19 cost of the SEIU Local 99, AALA, and CSEA agreements in fiscal year 2018-19 expenditures. Assignment for other potential future salary increases for other bargaining units; and
- a transfer from the Community Redevelopment Agency Fund to the General Fund initially paid for the ongoing and major maintenance resources.

For more information on the District’s current budget projections contained in the Fiscal Year 2018-19 Second Interim Report, see “ – *Second Interim Financial Report for Fiscal Year 2018-19 and Fiscal Stabilization Plan*” below.

District General Fund Budgets and Audited Actuals. The following Table A-6 sets forth the District’s Final Adopted Budgets for the District General Fund, inclusive of regular and specially funded programs, for fiscal years 2014-15 through 2018-19 and the actual results for fiscal years 2014-15 through 2017-18. The budgeted beginning balance for each fiscal year reflects the estimated ending balance for the prior fiscal year based upon information as of the budget adoption date. Accordingly, the budgeted ending balance for a fiscal year and the subsequent budgeted beginning balance may differ from the actual ending balance and actual beginning balance.

TABLE A-6

LOS ANGELES UNIFIED SCHOOL DISTRICT
District General Fund Budget for Fiscal Years 2014-15 through 2018-19,
Audited Actuals for Fiscal Years 2014-15 through 2017-18⁽¹⁾⁽²⁾⁽³⁾
(\$ in millions)

	Final Adopted Budget 2014-15	Audited Actuals 2014-15	Final Adopted Budget 2015-16	Audited Actuals 2015-16⁽⁴⁾	Final Adopted Budget 2016-17	Audited Actuals 2016-17	Final Adopted Budget 2017-18	Audited Actuals 2017-18	Revised District Budget 2018-19⁽⁵⁾
Beginning Balance	\$655.2	\$700.3	\$665.2	\$819.8	\$1,128.4	\$1,310.2	\$1,488.5	\$1,765.1	\$1,999.0
Revenue:									
State Apportionment	\$3,827.2	\$3,811.4	\$4,388.3	\$4,200.8	\$4,430.0	\$4,246.4	\$4,392.1	\$4,185.6	\$4,475.6
Property Taxes	<u>845.7</u>	<u>930.7</u>	<u>861.8</u>	<u>1,089.3</u>	<u>986.5</u>	<u>1,201.1</u>	<u>1,081.4</u>	<u>1,257.9</u>	<u>1,190.2</u>
Total LCFF	<u>4,672.9</u>	<u>4,742.1</u>	<u>5,250.0</u>	<u>5,290.2</u>	<u>5,416.5</u>	<u>5,447.5</u>	<u>5,473.5</u>	<u>5,443.5</u>	<u>5,665.8</u>
Federal	727.9	646.8	739.2	585.5	713.9	615.2	645.7	588.9	632.4
Other State	705.2	905.4	953.8	1,144.7	967.1	942.9	890.2	966.8	962.5
Other Local	<u>117.0</u>	<u>125.8</u>	<u>136.1</u>	<u>141.2</u>	<u>122.1</u>	<u>170.5</u>	<u>133.8</u>	<u>269.4</u>	<u>144.7</u>
Total Revenue	<u>\$6,223.1</u>	<u>\$6,420.1</u>	<u>\$7,079.1</u>	<u>\$7,161.4</u>	<u>\$7,219.6</u>	<u>\$7,176.1</u>	<u>\$7,143.2</u>	<u>\$7,268.6</u>	<u>\$7,405.4</u>
Total Beginning Balance and Revenue	<u>\$6,878.3</u>	<u>\$7,120.3</u>	<u>\$7,744.3</u>	<u>\$7,981.3</u>	<u>\$8,348.0</u>	<u>\$8,486.3</u>	<u>\$8,631.7</u>	<u>\$9,033.7</u>	<u>\$9,404.4</u>
Expenditures									
Certificated Salaries	\$2,694.6	\$2,782.5	\$3,039.1	\$2,842.3	\$2,931.9	\$2,861.9	\$2,870.2	\$2,826.7	\$2,894.1
Classified Salaries	828.6	847.2	871.0	927.4	976.7	963.8	915.0	984.9	1,007.1
Employee Benefits	1,472.7	1,564.9	1,542.8	1,731.3	1,925.2	1,825.9	2,075.3	2,023.4	2,090.3
Books and Supplies	526.6	275.6	683.4	245.7	570.2	259.5	774.9	331.2	576.5
Other Operating Expenses	724.6	712.5	816.1	859.6	828.4	799.8	831.4	798.4	858.9
Capital Outlay	12.5	15.6	7.0	41.1	15.0	61.1	19.8	62.6	87.5
Debt Service	1.0	0.9	0.1	0.8	0.9	0.7	0.8	0.5	0.5
Other Outgo	1.1	6.5	7.6	5.7	7.8	5.3	7.7	4.8	7.7
Transfers of Indirect Cost	=	=	<u>(22.4)⁽⁴⁾</u>	<u>(20.7)</u>	<u>(21.6)</u>	<u>(19.5)</u>	<u>(25.6)</u>	<u>(24.6)</u>	<u>(32.7)</u>
Total Expenditures	<u>\$6,261.6</u>	<u>\$6,205.7</u>	<u>\$6,944.7</u>	<u>\$6,633.3</u>	<u>\$7,234.5</u>	<u>\$6,758.6</u>	<u>\$7,469.5</u>	<u>\$7,007.8</u>	<u>\$7,489.8</u>
Excess (Deficiency) of Revenue Over (Under) Expenditures	(38.6)	214.3	134.4	528.2	(14.9)	417.6	(326.3)	260.8	(84.4)
Total Other Financing Sources (Uses)	(127.3)	(94.8)	(80.7)	(37.8)	(82.8)	37.4	(41.2)	(15.2)	(41.6)
Change in Fund Balance	(165.9)	119.6	53.7	490.4	(97.7)	455.0	(367.5)	245.6	(126.0)
Ending Balance	<u>\$489.3</u>	<u>\$819.8</u>	<u>\$718.9</u>	<u>\$1,310.2</u>	<u>\$1,030.7</u>	<u>\$1,765.1</u>	<u>\$1,120.9</u>	<u>\$2,010.8</u>	<u>\$1,873.0</u>

	Final Adopted Budget 2014-15	Audited Actuals 2014-15	Final Adopted Budget 2015-16	Audited Actuals 2015-16⁽⁴⁾	Final Adopted Budget 2016-17	Audited Actuals 2016-17	Final Adopted Budget 2017-18	Audited Actuals 2017-18	Revised District Budget 2018-19⁽⁵⁾
Fund Balance									
Nonspendable	\$ 18.5	\$ 20.7	\$ 19.6	\$ 31.1	\$ 20.7	\$ 23.5	\$ 31.1	\$ 27.6	\$ 27.6
Restricted	77.9	126.5	59.1	182.8	151.0	163.1	150.6	135.8	74.4
Committed	--	--	218.3	218.3	--	--	--	--	91.9
Assigned	303.2	418.4	308.2	558.7	702.7	783.9	588.6	1,057.4	904.1
Reserved for Economic Uncertainties	65.4	65.4	72.4	72.4	73.4	73.4	75.4	75.4	75.6
Undesignated/Unassigned	<u>24.3</u>	<u>188.8</u>	<u>41.3</u>	<u>247.0</u>	<u>82.9</u>	<u>721.3</u>	<u>275.3</u>	<u>714.7</u>	<u>699.4</u>
	<u>\$489.3</u>	<u>\$819.8</u>	<u>\$718.9</u>	<u>\$1,310.2</u>	<u>\$1,030.7</u>	<u>\$1,765.1</u>	<u>\$1,120.9</u>	<u>\$2,010.8</u>	<u>\$1,873.0</u>

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

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

(3) Amounts set forth in Table A-6 reflect the "Estimated Amounts" in the District's budget for the respective fiscal year rather than the "Authorized Amount." Pursuant to the Education Code, school districts may not spend more than Authorized Amount in the Final Adopted Budget as adjusted during the fiscal year.

(4) Effective fiscal year 2015-16, the District's audited financial statements have implemented recommendations promulgated by the Government Finance Officers Association to reclassify "Transfer of Indirect Costs" as expenditures. Prior to this recommendation, "Transfer of Indirect Costs" was classified as "Other Financing Sources & Uses."

(5) Figures are based on the Fiscal Year 2018-19 Revised District Budget. See "– Fiscal Year 2018-19 Revised District Budget" above.

Sources: Los Angeles Unified School District's Final Adopted Budgets for fiscal years 2014-15 through 2017-18; Fiscal Year 2018-19 Revised District Budget; Comprehensive Annual Financial Reports for fiscal years 2013-14 through 2015-16; Audited Annual Financial Report for fiscal years 2016-17 and 2017-18.

Expenditures for Unduplicated Pupils. The State currently requires that each school district calculate the amount of funding attributable to Supplemental Grants (defined herein) and Concentration Grants (defined herein) based on, in part, the school district’s estimate of LCFF funds expended on services for Unduplicated Pupils (defined herein) in the prior year that is in addition to the LCFF funds expended on services for all pupils. In 2015, the petitioners in *California Coalition of South Los Angeles and Reyna Frias v. Los Angeles Unified School District, et. al.* (the “*Frias Complaint*”) alleged that the District should not have counted approximately \$450 million of General Fund expenditures for special education services, which the District estimated was provided to Unduplicated Pupils, when the District estimated the total funds expended on Unduplicated Pupils in fiscal year 2013-14. The petitioners alleged that this method of calculation violated the Education Code and the LCFF regulations. Further, the petitioners alleged that the District’s method of calculation caused an error in the minimum proportionality percentage (“MPP”), which the District uses to calculate the amount by which services for Unduplicated Pupils should be increased. In May 2016, the District received a report and a decision letter (the “CDE Decision”) from the CDE regarding the District’s appeal of the *Frias Complaint*, which directed the District to recalculate certain aspects of the LCFF and related LCAP. See “– Risk Management and Litigation – *Litigation Regarding Local Control Funding Formula*” herein. Following the CDE’s direction, the District initiated a realignment exercise to address the negative fiscal impact brought about by the CDE Decision regarding proportionality. In the realignment exercise, the District identified prior year expenditures that it thought could qualify as supplemental and concentration expenditures as well as existing and new programs that were or could be redesigned to better serve targeted student populations (collectively, the “Realignment Exercise”). The Realignment Exercise was incorporated into the District’s fiscal year 2017-18 final budget adopted on June 20, 2017. In September 2017, the District, CDE and the petitioners in *Frias* executed a settlement agreement (the “Funding Settlement Agreement”) that reallocated \$171.6 million over three years (\$70.8 million in fiscal year 2017-18, \$50.4 million in fiscal year 2018-19 and \$50.4 million in fiscal year 2019-20) to the District’s 50 highest-needs schools (comprising 20 middle schools and 30 high schools). Pursuant to the Funding Settlement Agreement, the District, CDE and the petitioners in *Frias* agreed that the fiscal year 2017-18 LCAP is compliant with the actions required by the CDE Decision.

District Interim Financial Reports. A State law adopted in 1991 (known as “A.B. 1200”) imposed financial reporting requirements on school districts and established guidelines for emergency State aid apportionments. Under the provisions of A.B. 1200 and the Education Code (Section 42100 *et. seq.*), each school district is required to file two interim certifications with the county superintendent of schools (on December 15, for the period ended October 31, and by mid-March for the period ended January 31) as to its ability to meet its financial obligations for the remainder of the then-current fiscal year and, based on current forecasts, for the subsequent fiscal year. The county superintendent of schools reviews the certification and issues either a positive, negative or qualified certification.

A positive certification is assigned to any school district that, based on then current projections, will meet its financial obligations for the current fiscal year and the subsequent two fiscal years. A negative certification is assigned to any school district that, based on then current projections, will be unable to meet its financial obligations for the remainder of the fiscal year or the subsequent fiscal year. A qualified certification is assigned to any school district that, based on then current projections, will not meet its financial obligations for the current fiscal year or the two subsequent fiscal years. A certification may be revised to a negative or qualified certification by the county superintendent of schools, as appropriate. A school district that receives a qualified or negative certification for its second interim report must provide to the county superintendent of schools, the State Controller and the Superintendent no later than June 1, financial statement projections of the school district’s fund and cash balances through June 30 for the period ending April 30. Any school district that receives a qualified or negative certification in any fiscal year may not issue, in that fiscal year or in the next succeeding fiscal year, certificates of participation, tax and revenue anticipation notes, revenue bonds or any other debt

instruments that do not require the approval of the voters of the school district, unless the county superintendent of schools determines that the school district's repayment of indebtedness is probable.

For school districts under fiscal distress, the county superintendent of schools is authorized to take a number of actions to ensure that the school district meets its financial obligations, including budget revisions. However, the county superintendent of schools is not authorized to approve any diversion of revenue from *ad valorem* property taxes levied to pay debt service on district general obligation bonds. A school district that becomes insolvent may, upon the approval of a fiscal plan by the county superintendent of schools, request an emergency appropriation from the State, in which case the county superintendent of schools, the Superintendent of Public Instruction and the president of the State board or the president's designee will appoint a trustee to serve the school district until it has adequate fiscal systems and controls in place. The acceptance by a school district of an emergency apportionment exceeding 200% of the reserve recommended for that school district constitutes an agreement that the county superintendent of schools will assume control of the school district in order to ensure the school district's return to fiscal solvency.

In the event the State elects to provide an emergency apportionment to a school district, such apportionment will constitute an advance payment of apportionments owed to the school district from the State School Fund and the Education Protection Account. The emergency apportionment may be accomplished in two ways. First, a school district may participate in a two-part financing in which the school district receives an interim loan from the State general fund, with the agreement that the school district will subsequently enter into a lease financing with the California Infrastructure and Economic Development Bank for purposes of financing the emergency apportionment, including repaying such amounts advanced to the State general fund. State law provides that so long as bonds from such lease financing are outstanding, the recipient school district (via its administrator) cannot file for bankruptcy. As an alternative, a school district may receive an emergency apportionment from the State general fund that must be repaid in 20 years. Each year, the Superintendent of Public Instruction will withhold from the apportionments to be made to the school district from the State School Fund and the Education Protection Account an amount equal to the emergency apportionment repayment that becomes due that year. The determination as to whether the emergency apportionment will take the form of a lease financing or an emergency apportionment from the State general fund will be based upon the availability of funds within the State general fund.

Second Interim Financial Report for Fiscal Year 2018-19 and Fiscal Stabilization Plan. The District filed its Fiscal Year 2018-19 Second Interim Report with LACOE by the March 18, 2019 deadline with a self-certified qualified certification of the District's financial condition. Since its second interim report in fiscal year 2007-08 with one exception, the District has submitted its interim reports with qualified certifications, including the Fiscal Year 2018-19 Second Interim Report. In each instance with one exception, LACOE concurred with the qualified certification. The only exception to this was the District's second interim report for fiscal year 2017-18 which received a positive certification.

The Fiscal Year 2018-19 Second Interim Report projects that the District's General Fund ending balance will be \$1.99 billion at the close of fiscal year 2018-19, \$1.37 billion at the close of fiscal year 2019-20, and \$963.84 million at the end of fiscal year 2020-21. The Fiscal Year 2018-19 Second Interim Report projects that the District will be able to meet its financial commitments and satisfy the 5% Minimum Reserve Threshold for fiscal years 2018-19, 2019-20 and 2020-21. However, the Fiscal Year 2018-19 Second Interim Report projects that the 1% statutory reserve requirement in fiscal year 2020-21 will not be met. When the current budget projections are extended to fiscal year 2021-22, reserves are exhausted, leaving a \$749 million deficit below the required 1% statutory reserve requirement level. (See "District Financial Policies – *Budget and Finance Policy*" herein for a discussion of the 5% Minimum Reserve Threshold and differences from the 1% statutory reserve requirement.)

The changes in multi-year projections in the Fiscal Year 2018-19 Second Interim Report from the District's first interim report for fiscal year 2018-19 are mostly due to increases in LCFF Revenues based on the Proposed 2019-20 State Budget, offset by a revenue decrease due to work stoppage as a result of the UTLA strike, and a lower unduplicated pupil count percentage. Changes in expenditures are mostly attributable to salary increases as well as other costs incorporated in the UTLA Agreement (defined herein) and the agreements with the school police and other trades. See "Employees and Labor Relations - *Negotiations Regarding Labor Contracts*" herein.

In November 2018, LACOE directed the District to undertake a variety of financial adjustments by December 2018. As a result, the District submitted a fiscal stabilization plan with its first interim report for fiscal year 2018-19. In its January 2019 letter to the District regarding the first interim report for fiscal year 2018-19, LACOE noted the District's structural imbalance and deficit spending with a worsening financial outlook, resulting in LACOE's concurrence with the District's qualified certification. Further, LACOE invoked its power under Section 42131(b) of the California Education Code, which allows the County Superintendent to intervene and compel the District to implement certain measures to improve the District's financial condition. Effective January 2019, LACOE assigned a team of fiscal experts to work with the District to develop a further revised fiscal stabilization plan to eliminate deficit spending and restore the required levels of financial reserves.

In accordance with the LACOE requirements, the District submitted a further revised fiscal stabilization plan (the "Fiscal Stabilization Plan") and resolution regarding the District's commitment to maintain the statutory reserve requirement adopted by the District Board with the Fiscal Year 2018-19 Second Interim Report. The District's Fiscal Stabilization Plan includes a 15% reduction in central office resources, alteration of the procurement cycle for uniforms to three years, and the discontinuation of the attendance incentive given to local school districts. The District began implementing the Fiscal Stabilization Plan during fiscal year 2018-19 and estimates that the Fiscal Stabilization Plan will result in an aggregate of \$101.8 million in savings in fiscal years 2018-19 through 2020-21.

LACOE's Review of Fiscal Year 2018-19 Second Interim Report. In March 2019, LACOE concurred with the District's qualified certification of its Fiscal Year 2018-19 Second Interim Report and provided its review of the District's Fiscal Year 2018-19 Second Interim Report and the Fiscal Stabilization Plan. LACOE noted concerns about the District's ongoing deficit spending, including the projected operating deficits of \$576.6 million and \$415.1 million in fiscal years 2019-20 and 2020-21, respectively, which are attributable to revenue losses associated with declining enrollment, increasing costs related to pensions and Special Education programs, and the facilities maintenance required minimum contribution. As a result of the District's projections of declining reserves from 11.81% in fiscal year 2018-19, 5.80% in fiscal year 2019-20 to 0.96% in fiscal year 2020-21, which is below the minimum statutory reserve requirement, LACOE requires that the District continue to work with the team of fiscal experts. By July 1, 2019, the District is required to address such deficit spending in an updated fiscal stabilization plan that must be submitted in conjunction with the District's fiscal year 2019-20 adopted budget. The District is required to incorporate the necessary adjustments in its fiscal year 2019-20 adopted budget and multiyear projections to restore and maintain the minimum required reserve levels in all fiscal years. In accordance with Education Code Section 42131(e), LACOE also requires that the District submit a financial statement projecting the District's fund and cash balances through June 30, 2019 for the period ending April 30, 2019 to the County Superintendent, State Controller's Office and the Superintendent of Public Instruction. In the event that the District Board fails to address LACOE's concerns, including failing to submit a fiscal year 2019-20 adopted budget that meets the minimum reserve requirement in any fiscal year, LACOE warned that the County Superintendent is prepared to take further action that may include identifying the District as not a going concern and assigning a fiscal advisor with stay and rescind authority over the District Board actions.

Proposed Parcel Tax. The District has proposed an annual parcel tax of 16 cents per square foot of building improvements (the “Parcel Tax”) for a period of twelve years beginning in fiscal year 2019-20. The Parcel Tax requires approval by two-thirds of voters of the District voting on the Parcel Tax at the June 4, 2019 election. If approved, the Parcel Tax is expected to generate approximately \$500 million annually, an estimated \$350 million of which is expected to be available for the District after sharing revenue with Fiscally Independent Charter Schools and exempting seniors and disabled individuals who apply. The Parcel Tax is intended to allow the District to retain and attract quality teachers, reduce class sizes, provide counseling, nursing and library services, arts, music, science, math, preschool, vocational and career education, safe well-maintained schools, adequate instructional materials and supplies, and support disadvantaged and homeless students. The potential revenue generated by the Parcel Tax is not included in the Fiscal Year 2018-19 Second Interim Report. The District cannot predict the outcome of the Parcel Tax election.

If the Parcel Tax is unsuccessful, the District expects to address the projected budget deficit in fiscal year 2021-22 through a series of savings and reductions. These include (i) implementing efficiencies proposed by Ernst and Young, relating to procurement, workers’ compensation, food services, transportation, facilities, information technology, and budgeting, (ii) obtaining a waiver of the teacher-to-administrator ratio, (iii) leveraging new special education funds from the State, and (iv) using saved OPEB funds from implementation of the Anthem PPO (defined herein, see “ – Other Postemployment Benefits – *Changes to the Fiscal Year 2017-18 OPEB Liability and 2019 Actuarial Valuation*”).

District Budget and Interim Financial Estimates. The following Table A-7 sets forth budgeted revenues and expenditures and projected year-end amounts, including projected and year-end General Fund Balances, as reported in the Fiscal Year 2018-19 Revised District Budget and the Fiscal Year 2018-19 Second Interim Report. The District has timely prepared these estimates of its fiscal year 2018-19 financial results and provided this information to the District Board and LACOE. See “– *Second Interim Financial Report for Fiscal Year 2018-19 and Fiscal Stabilization Plan*” herein.

TABLE A-7

**LOS ANGELES UNIFIED SCHOOL DISTRICT
District General Fund
Summary of Fund Balances, Revenues and Expenditures
Fiscal Year 2018-19
(\$ in millions)**

	Fiscal Year 2018-19 Revised District Budget (October 2018)	Fiscal Year 2018-19 Second Interim Report (March 2019)⁽¹⁾
Beginning Balance	\$1,999.01	\$2,010.77
Revenues	\$7,405.43	\$7,461.98
Expenditures	\$7,489.84	\$7,459.90
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources and Uses	\$(84.41)	\$2.08
Other Financings Sources/Uses	\$(41.61)	\$(20.31)
Ending Balance	\$1,872.99	\$1,992.54

⁽¹⁾ Reflects the District’s unaudited actuals for fiscal year 2018-19 and for the period from July 1, 2018 through January 31, 2019 and projections for the period from February 1, 2019 through June 30, 2019.

Sources: Los Angeles Unified School District Fiscal Year 2018-19 Revised District Budget, Fiscal Year 2018-19 Second Interim Report.

Significant Accounting Policies, System of Accounts and Audited Financial Statements

The CDE imposes by law uniform financial reporting and budgeting requirements for K-12 school districts. Financial transactions are accounted for in accordance with the California School Accounting Manual. The District uses fund accounting and maintains governmental funds, proprietary funds and fiduciary funds. The General Fund is the chief operating fund of the District. For a description of the other major funds of the District, see the description thereof contained in APPENDIX B – “AUDITED ANNUAL FINANCIAL REPORT OF THE DISTRICT FOR FISCAL YEAR ENDED JUNE 30, 2018” attached hereto. Note 1 to such audited financial statements sets forth significant accounting policies that the District follows. Simpson & Simpson Certified Public Accountants, Los Angeles, California, served as independent auditor to the District for its audited financial statements for fiscal year 2017-18. See APPENDIX B – “AUDITED ANNUAL FINANCIAL REPORT OF THE DISTRICT FOR FISCAL YEAR ENDED JUNE 30, 2018” attached hereto.

The District is required to file its audited financial statements for the preceding fiscal year with the State Controller’s Office, the CDE and the County Superintendent of Schools by December 15 of each year. During the last five years, the District timely filed its audited financial reports with LACOE pursuant to the Education Code by the respective deadlines therefor.

Copies of the District’s audited financial statements as well as budgets and interim financial reports may be obtained from the website of the District: www.lausd.net. The website is not incorporated herein by reference and the District, its counsel (including Bond Counsel and Disclosure Counsel), and the Municipal Advisor do not make any representation as to the accuracy of the information provided therein.

Employees and Labor Relations

General. The District has twelve bargaining units with existing contracts. The largest bargaining unit among the District’s employees is United Teachers Los Angeles (“UTLA”), which is comprised of, among other employees, teachers, counselors, advisers, nurses, psychologists, and social workers. In addition, certain employees are not represented by a formal bargaining unit (the “District Represented Employees”). The following Table A-8 sets forth the number of members of each bargaining unit as of February 1, 2019, and the expiration dates of the existing or successor labor agreements with each of the District’s employee bargaining units.

TABLE A-8

**LOS ANGELES UNIFIED SCHOOL DISTRICT
Employee Bargaining Units and Contract Expiration Dates
As of February 1, 2019**

Employee Bargaining Unit	Members	Contract Expiration Date (June 30)
Associated Administrators of Los Angeles (“AALA”) (Certificated)	2,572	2020
Unit A (School Police)	391	2020
Unit B (Instructional Aides)	13,142	2020
Unit C (Operations – Support Services)	8,019	2020
Unit D (Office – Technical and Business Services)	4,055	2020
Unit E (Skilled Crafts)	1,498	2020
Unit F (Teacher Assistants)	5,490	2020
Unit G (Playground Aides)	11,377	2020
Unit H (Sergeants and Lieutenants)	64	2020
Unit J (Classified Management)	328	2021
Unit S (Classified Supervisors)	3,195	2020
United Teachers Los Angeles	35,302	2022
District Represented Employees ⁽¹⁾	547	N/A

⁽¹⁾ District-represented employees include employees that are not represented by a union due to their designation as management, confidential or unrepresented employees. Does not include unrepresented seasonal employees.

Source: Los Angeles Unified School District Office of Labor Relations.

Negotiations Regarding Labor Contracts. UTLA’s six-day strike concluded when the District and UTLA reached a collective bargaining agreement on January 22, 2019 that was approved by the District Board on January 29, 2019 (the “UTLA Agreement”). The UTLA Agreement provides for a 3.0% on-schedule wage increase for fiscal year 2017-18, retroactive to July 1, 2017, and a 3.0% on-schedule wage increase for fiscal year 2018-19, retroactive to July 1, 2018. The UTLA Agreement also provides for staffing to reduce class sizes, and additional support personnel at school sites. The UTLA Agreement closes out the District’s negotiations with UTLA for fiscal years 2017-18 and 2018-19. As a result of the UTLA Agreement, the District projects a total ongoing increase in employee compensation costs of \$266 million in fiscal year 2018-19, \$255 million in fiscal year 2019-20, and \$319 million in fiscal year 2020-21. Under the UTLA Agreement, UTLA has the option to reopen negotiations regarding salary in fiscal years 2020-21 and 2021-22, but there is no option to do so for fiscal year 2019-20.

SEIU Local 99 (Units B, C, F and G) reached a three-year agreement (the “SEIU Agreement”) with the District in May 2018 after threats of a strike. The SEIU Agreement provides for a 3% on-schedule wage increase for fiscal year 2017-18, retroactive to July 1, 2017, and a 3% supplement for fiscal year 2018-19, retroactive to July 1, 2018. The supplement becomes an on-schedule wage increase

if the Fiscal Year 2018-19 Second Interim Report has positive projected ending balances. An additional 1% make whole ongoing wage increase was provided for those that did not receive salary increases in the prior agreement for the years 2014-17 equivalent to the average increases across the District. The SEIU Agreement allows School Police to receive the difference between the increase given to another bargaining unit if another bargaining unit negotiates an increase higher than a combined 6%. Additionally, the SEIU Agreement has an economic reopener for fiscal year 2019-20, and SEIU may initiate discussions regarding such reopener during the current fiscal year. The SEIU Agreement also provides for a change to the years and service required in order to receive retiree health benefits: the years and age of service must equal 87 with a minimum of 30 years of service (the “Rule of 87”).

AALA (Certificated Administrators) reached a three-year agreement (the “AALA Agreement”) with the District in July 2018. The AALA Agreement provides for a 3% on-schedule wage increase for fiscal year 2017-18, retroactive to July 1, 2017, and a 3% supplement for fiscal year 2018-19, retroactive to July 1, 2018. The supplement becomes an on-schedule wage increase if the Fiscal Year 2018-19 Second Interim Report has positive projected ending balances. The AALA Agreement provides AALA with the difference between the increase given to another certificated unit if they negotiate a combined increase higher than 6%. Additionally, the AALA Agreement has a reopener on one (1) non-economic article in fiscal year 2018-19 year and three (3) articles in fiscal year 2019-20. The AALA Agreement also includes the Rule of 87.

CSEA (Unit D – Professional and Technical Services) reached a three-year agreement (the “CSEA Agreement”) with the District in July 2018. The CSEA Agreement provides for a 2% on-schedule wage increase for fiscal year 2017-18, retroactive to July 1, 2017, a 2% on-schedule wage increase for fiscal year 2018-19, retroactive to July 1, 2018 and a 2% on-schedule wage increase for fiscal year 2019-20. The CSEA Agreement provides for a reopener that provides CSEA with the difference between the increase given to another classified unit if they negotiate a combined increase higher than 6%. The CSEA Agreement also includes the Rule of 87. Additionally, the CSEA Agreement contains a reopener on two (2) topics for fiscal year 2018-19.

Teamsters (Unit S – Classified Supervisors) reached a three-year agreement (the “Teamsters Agreement”) with the District in September 2018. The Teamsters Agreement provides for a 3% on-schedule wage increase for fiscal year 2017-18, retroactive to July 1, 2017, and a 3% supplement for fiscal year 2018-19, retroactive to July 1, 2018. The supplement becomes an on-schedule wage increase if the Fiscal Year 2018-19 Second Interim Report has positive projected ending balances. The Teamsters Agreement provides Teamsters with the difference between the increase given to another classified unit if they negotiate a combined increase higher than 6%. Additionally, the Teamsters Agreement contains a wage reopener in fiscal year 2019-20 and a language reopener for two (2) contract articles. The Teamsters Agreement also includes the Rule of 87.

LASPA (Unit A – School Police) reached a three-year agreement (the “LASPA Agreement”) with the District in January 2019, which was approved by the District Board on March 19, 2019. The LASPA Agreement provides for a 3% on-schedule wage increase for fiscal year 2017-18, retroactive to July 1, 2017, and a 3% on-schedule wage increase for fiscal year 2018-19, retroactive to July 1, 2018. The LASPA Agreement allows School Police to receive the difference between the increase given to another bargaining unit if another bargaining unit negotiates an increase higher than a combined 6%. Sworn employees receive survivor continuance benefits at the 50% level. The LASPA Agreement includes the Rule of 87 for non-sworn employees.

LASPMA (Unit H – School Police Management) reached a three-year agreement (the “LASPMA Agreement”) in January 2019, which was approved by the District Board on March 19, 2019. The LASPMA Agreement provides for a 3% on-schedule wage increase for fiscal year 2017-18, retroactive to

July 1, 2017, and a 3% on-schedule wage increase for fiscal year 2018-19, retroactive to July 1, 2018. The LASPMA Agreement allows School Police management to receive the difference between the increase given to another bargaining unit if another bargaining unit negotiates an increase higher than a combined 6%. Sworn employees receive survivor continuance benefits at the 50% level. The LASPMA Agreement includes the Rule of 87 for non-sworn employees.

Trades (Unit E) recently concluded successor negotiations with the District and reached an agreement (the “Trades Agreement”), which was approved by the District Board on March 19, 2019. The Trades Agreement provides for a 3% on-schedule wage increase for fiscal year 2017-18, retroactive to July 1, 2017, and a 3% on-schedule wage increase for fiscal year 2018-19, retroactive to July 1, 2018. The Trades Agreement also provides an adjustment to trades staff to reduce inequities between those who receive the prevailing wage at outside agencies and employees at the District. The Trades Agreement includes the Rule of 87 after all other bargaining units agree.

AALA (Unit J – Classified Managers) recently concluded successor negotiations with the District and reached an agreement (the “AALA Unit J Agreement”), which was approved by the District Board on April 23, 2019. The AALA Unit J Agreement provides 3% on-schedule wage increase for fiscal year 2017-18, retroactive to July 1, 2017, and a 3% on-schedule wage increase for fiscal year 2018-19, retroactive to July 1, 2018.

The District entered into a tentative three-year agreement with all of its bargaining units on health and welfare benefits for calendar years 2018 through 2020. This agreement will provide \$1.1 billion annually for health and welfare benefits (the funding level for calendar year 2017) and provides resources for health care coverage to continue in the same manner for current employees and retirees without increasing costs. This agreement also provides that if the employee bargaining units, in consultation with and through the District’s Health Benefits Committee, achieve a \$200 million reduction in OPEB liability during the life of the agreement and do not voluntarily make any changes that result in the District’s health plans becoming more expensive, then the District’s contribution for 2020 shall be increased to ensure there is at least \$100 million in its health care reserves. Any amounts in excess of \$100 million in the health care reserves as of December 31, 2020 will, at the District’s discretion, be transferred to the District’s General Fund or used to offset the District’s contribution levels for 2021. The District currently projects that there will be more than a \$100 million in health care reserves on December 31, 2020. This agreement also provides that a committee will be formed to study methods to reduce the District’s OPEB liability and explore ways to reduce the percentage of spending on health care as a percentage of the District’s total budget.

Reduction in Force and Release Notices. In general, pursuant to the Education Code, the District must give written notice to a certificated employee by the March 15, prior to the commencement of a school year if such certificated employee is to be released or reassigned for that school year. In order to provide flexibility in the event budget reductions are necessary in a given fiscal year, the District Board may approve the use of Reduction in Force and Release Notices for a portion of its certificated employees. In February 2019, the District Board authorized Reduction in Force and Release Notices for all certificated contract level management and senior management employees of the classified service with expiring contracts and all non-school based administrators in specified positions informing them that they may be released or reassigned for fiscal year 2019-20, and authorizing staff to send subsequent notices by June 30, 2019, to employees, or at least 45 days in advance of their expiring contract, or as specified.

Retirement Systems

General. The District currently participates in CalSTRS, CalPERS and PARS (defined herein). The amounts of the District’s contributions to CalSTRS, CalPERS and PARS are subject to, among other things, modifications to or approvals of collective bargaining agreements and any changes in actuarial assumptions used by CalSTRS, CalPERS and PARS.

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

The following Table A-9 sets forth the District’s aggregate contributions to CalSTRS, CalPERS and PARS, inclusive of employee contributions to CalPERS paid by the District, for fiscal years 2014-15 through 2017-18, the projected contribution for 2018-19, and these contributions as a percentage of the District’s Total Governmental Funds expenditures for fiscal years 2014-15 through 2018-19. See Table A-10 “Annual Regular CalSTRS Contributions,” Table A-12 “Annual CalPERS Regular Contributions” and Table A-15 “Annual PARS Contribution.” See also the District’s financial statements for fiscal year 2017-18 contained in APPENDIX B – “AUDITED ANNUAL FINANCIAL REPORT OF THE DISTRICT FOR FISCAL YEAR ENDED JUNE 30, 2018” attached hereto.

TABLE A-9

LOS ANGELES UNIFIED SCHOOL DISTRICT
Aggregate Employer Contributions to CalSTRS, CalPERS and PARS
Fiscal Years 2014-15 through 2018-19
(\$ in millions)

Fiscal Year	District Contributions⁽¹⁾	District Contribution as Percentage of Total Governmental Funds Expenditures
2014-15	\$373.6	4.47%
2015-16	438.5	5.04
2016-17	520.8	5.91
2017-18	591.4	6.19
2018-19 ⁽²⁾	713.4	7.98

⁽¹⁾ Reflects data for all District Funds, including the District’s General Fund. Excludes on-behalf payments from the State to CalSTRS.

⁽²⁾ Projected.

Sources: Los Angeles Unified School District Comprehensive Annual Financial Reports for fiscal years 2014-15 through 2015-16; Audited Annual Financial Report for fiscal years 2016-17 and 2017-18; Fiscal Year 2018-19 Revised District Budget; and the District for the percentage of Total Governmental Funds Expenditures.

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

State contributions based on consumer price changes were provided for in 1979 Statutes, Chapter 282. Copies of the CalSTRS' comprehensive annual financial report may be obtained from CalSTRS, P.O. Box 15275, Sacramento, California 95851-0275. The information presented in these reports is not incorporated by reference in this Official Statement.

Member benefits are determined pursuant to the Education Code and are generally based on a member's age, final compensation and years of credited service. Members are 100% vested in retirement benefits after five years of credited service and are eligible for "normal" retirement at age 60 and for early retirement at age 55 or at age 50 with 30 years of credited service. The normal retirement benefit is 2% of final compensation (as defined in the Education Code) for each year of credited service (up to 2.4% of final compensation for members retiring after age 60), and members who retire on or after January 1, 2011 with 30 or more years of service by December 31, 2010 receive monthly bonus payments of up to \$400 per month. Members hired on or after January 1, 2013 who retire at age 62 are eligible for a benefit equal to 2% of final compensation for each year of credited service (up to 2.4% of final compensation for members retiring after age 62). Benefits include a 2% cost of living increase (computed on a simple, non-compounded, basis based on the initial allowance) on each September 1 following the first anniversary of the effective date of the benefit. See "*California Public Employees' Pension Reform Act of 2013*" herein and Note 9(b) set forth in APPENDIX B – "AUDITED ANNUAL FINANCIAL REPORT OF THE DISTRICT FOR FISCAL YEAR ENDED JUNE 30, 2018" attached hereto.

Funding; Contributions. The CalSTRS defined benefit plan (the "DB Plan") is funded through a combination of investment earnings and statutorily set contributions from members of CalSTRS, the participating employers (including the District) and the State. Prior to fiscal year 2014-15, the statutorily-set rate did not vary annually to adjust for funding shortfalls or actuarial surpluses. As a result, the combined employer, employee and State contributions to the DB Plan were not sufficient to pay actuarially required amounts. To address the shortfall, Assembly Bill 1469 ("AB 1469"), signed into law by the Governor as part of the fiscal year 2014-15 State Budget, increased member, employer and State contributions as part of a plan to eliminate CalSTRS' unfunded liability.

The State is not an employer (with certain limited exceptions) in any of the CalSTRS programs but contributes to the DB Plan and a supplemental benefits maintenance account pursuant to provisions of the Education Code. For fiscal year 2018-19, the State will contribute 9.828% of members' annual earnings to the DB Plan and an additional 2.5% of member earnings into the CalSTRS supplemental benefit maintenance account, which is used to maintain the purchasing power of benefits.

The District's employer contribution rate for fiscal year 2018-19 is 16.28% of covered payroll, which is inclusive of the employer base contribution of 8.25% of payroll provided by the Education Code. Pursuant to the Education Code, the District's employer contribution rate increased by 1.85% of covered payroll annually beginning July 1, 2015 and will continue to increase to 18.13% of covered payroll in fiscal year 2019-20, and 19.10% of covered payroll in fiscal year 2020-21. The employee contribution rate for CalSTRS members first hired on or before December 31, 2012 to perform CalSTRS creditable activities (i.e., CalSTRS 2% at 60 members) was 9.20% for fiscal year 2015-16 and 10.25% for fiscal years 2016-17 and 2017-18 and will remain 10.25% for fiscal year 2018-19. The employee contribution rate for CalSTRS members first hired on or after January 1, 2013 to perform CalSTRS creditable activities (i.e., CalSTRS 2% at 62 members) was 8.56% for fiscal year 2015-16 and 9.205% for fiscal years 2016-17 and 2017-18, and will be increased to 10.205% for fiscal year 2018-19. The State Teachers Retirement Board is authorized to modify the percentages paid by employers and employees for fiscal year 2021-22 and each fiscal year thereafter in order to eliminate CalSTRS' unfunded liability by June 30, 2046 based upon actuarial recommendations. See "*Pension Accounting and Financial Reporting Standards*" and "STATE FUNDING OF SCHOOL DISTRICTS – Limitations on School District Reserves" herein.

The following Table A-10 sets forth the District’s regular annual contributions to CalSTRS for fiscal years 2014-15 through 2017-18, the projected contribution fiscal year 2018-19, and these contributions as a percentage of the District’s Total Governmental Funds expenditures for fiscal years 2014-15 through 2018-19. The District has always paid all required CalSTRS annual contributions. As of June 30, 2018, 36,032 District employees were members of CalSTRS.

TABLE A-10

**LOS ANGELES UNIFIED SCHOOL DISTRICT
Annual Regular CalSTRS Contributions
Fiscal Years 2014-15 through 2018-19
(\$ in millions)**

Fiscal Year	CalSTRS Employer Rate	District Contributions⁽¹⁾	District Contribution as Percentage of Total Governmental Funds Expenditures
2014-15	8.88%	\$245.5	2.94%
2015-16	10.73	302.7	3.48
2016-17	12.58	358.1	4.06
2017-18	14.43	407.2	4.26
2018-19 ⁽²⁾	16.28	479.7	5.37

⁽¹⁾ Reflects data for all District Funds, including the District’s General Fund. Excludes on-behalf payments from the State to CalSTRS.

⁽²⁾ Projected.

Sources: Los Angeles Unified School District Comprehensive Annual Financial Reports for fiscal years 2014-15 through 2015-16; Audited Annual Financial Report for fiscal years 2016-17 and 2017-18; Fiscal Year 2018-19 Revised District Budget; and the District for the percentage of Total Governmental Funds Expenditures.

The State Teachers’ Retirement Board is authorized to modify the percentages paid by employers and employees beginning fiscal year 2021-22 to eliminate CalSTRS’ unfunded liability by June 30, 2046, based upon actuarial recommendations. The District is unable to predict what the amount of pension liabilities will be beyond the fiscal years set forth in AB 1469 or the amount the District will be required to pay for pension related costs, as these amounts are subject to future rate actions taken by CalSTRS. Accordingly, there can be no assurances that the District’s required contributions to CalSTRS will not significantly increase in the future above levels currently approved under State law.

Actuarial Valuation. The State Teachers’ Retirement Board has sole authority to determine the actuarial assumptions and methods used for the valuation of the DB Plan. CalSTRS actuarial consultant (the “Actuarial Consultant”) determines the actuarial value of the DB Plan’s assets by using a one-third smoothed recognition method of the difference between the actual market value of assets to the expected actuarial value of assets. Accordingly, the actuarial value of assets will not reflect the entire impact of certain investment gains or losses on an actuarial basis as of the date of the valuation or legislation enacted subsequent to the date of the valuation.

Based on the CalSTRS Actuarial Valuation dated as of June 30, 2017 (the “2017 CalSTRS Actuarial Valuation”), CalSTRS continues to make progress toward fully funding the system by June 30, 2046. Nonetheless, the 2017 CalSTRS Actuarial Valuation reflects that the funded ratio declined from 63.7% in 2016 (\$96.7 billion unfunded actuarial obligation) to 62.6% in 2017 (\$107.3 billion unfunded actuarial obligation). However, the decline in funded status was expected given that the Teachers’ Retirement Board adopted new actuarial assumptions at its February 1, 2017 meeting that (i) reduced the

investment return assumptions from an annual 7.50% in the CalSTRS Actuarial Valuation dated as of June 30, 2015, to 7.25% in the CalSTRS Actuarial Valuation dated as of June 30, 2016, and then to 7.0% in the 2017 CalSTRS Actuarial Valuation and (ii) increased the expected life spans of CalSTRS members.

The actuarial assumptions set forth in the 2017 CalSTRS Actuarial Valuation use the “Entry Age Normal Actuarial Cost Method” and, among other things, a 7.25% investment rate of return for measurements as of June 30, 2016 and an assumed 7.00% investment rate of return, 3.00% interest on member accounts, projected 3.50% wage growth, projected 2.75% inflation (down from 3.00%), and demographic assumptions relating to mortality rates, length of service, rates of disability, rates of withdrawal, probability of refund, and merit salary increases. The actuarial assumptions and methods used in the 2017 CalSTRS Actuarial Valuation were based on the CalSTRS Experience Study and Review of Actuarial Assumptions for the period from July 1, 2010 to June 30, 2015 adopted by the Teacher’s Retirement Board in February 2017. CalSTRS’ unfunded liability will vary from time to time depending upon actuarial assumptions, actual rates of return on investment, salary scales and levels of contribution.

The CalSTRS Comprehensive Annual Financial Report for fiscal year 2017-18 (the “2017-18 CalSTRS CAFR”) states that during fiscal year 2017-18, CalSTRS included 37,443 covered employees of the District in its State Teachers Retirement Program and 3,397 covered employees of the District in its tax-deferred defined contribution plans under Sections 403(b) and 457 of the Internal Revenue Code (the “Pension2 Program”). Accordingly, covered employees of the District represented approximately 7.26% and 13.46% of covered employees in the State Teacher’s Retirement Program and Pension2 Program, respectively.

The UAAL and funded status of the CalSTRS pension fund as of June 30 of fiscal years ended June 30, 2012 through June 30, 2017 are set forth in the following Table A-11. The fair market value of the CalSTRS pension fund as of June 30, 2016 and June 30, 2017 was \$177.9 billion and \$197.7 billion, respectively, based on total system assets less amounts allocable to the CalSTRS Supplemental Benefits Maintenance Account Reserve. The individual funding progress for the District and the District’s proportionate share of CalSTRS’ net pension liability is set forth in the District’s audited financial statements. See “– *Pension Accounting and Financial Reporting Standards*” herein and APPENDIX B – “AUDITED ANNUAL FINANCIAL REPORT OF THE DISTRICT FOR FISCAL YEAR ENDED JUNE 30, 2018” attached hereto.

TABLE A-11

**Actuarial Value of State Teachers' Retirement Fund Defined Benefit Program
Valuation Dates June 30, 2012 through June 30, 2017
(\$ in billions)**

Valuation Date (June 30)	Actuarial Obligation	Actuarial Value of Assets ⁽¹⁾	Market Value of Assets	Unfunded Actuarial Obligation	Funded Ratio (Actuarial Value)	Funded Ratio (Fair Market Value)
2012	\$215.189	\$144.232	\$143.118	\$71.0	67.0%	62.7%
2013	222.281	148.614	157.176	73.7	66.9	66.5
2014	231.213	158.495	179.749	72.7	68.5	73.3
2015	241.753	165.553	180.633	76.2	68.5	70.0
2016	266.704	169.976	177.914	96.7	63.7	61.9
2017	286.950	179.689	197.718	107.3	62.6	63.9

⁽¹⁾ Actuarial Value of Assets and Fair Market Value of Assets does not include amounts allocable to the CalSTRS Supplemental Benefits Maintenance Account Reserve which was approximately \$11.51 billion as of June 30, 2015, \$12.80 billion as of June 30, 2016, and \$14.24 billion as of June 30, 2017.

Sources: California State Teachers' Retirement System Defined Benefit Program Actuarial Valuations as of June 30, 2012 through June 30, 2017.

District Proportionate Share. As of June 30, 2018, the District's proportionate share of CalSTRS' net pension liability was approximately \$4.9 billion, based on a discount rate of 7.1%. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the 2016-17 fiscal year employer contributions calculated by CalSTRS with consideration given to separately financed and irregular employer contributions relative to the projected contributions of all participating employer and non-employer contributing entities. At June 30, 2017, the District's proportion was 5.30%. The District's proportionate share of the CalSTRS net pension liability was projected to be \$3.04 billion if the discount rate was increased to 8.1% and \$7.20 billion if the discount rate was decreased to 6.1%. See Note 9(b) of the District's financial statements attached as APPENDIX B – "AUDITED ANNUAL FINANCIAL REPORT OF THE DISTRICT FOR FISCAL YEAR ENDED JUNE 30, 2018" attached hereto.

California Public Employees' Retirement System. CalPERS is a defined benefit plan that covers classified personnel who work four or more hours per day. CalPERS is operated on a Statewide basis and, based on publicly available information, has significant unfunded liabilities. CalPERS issues a comprehensive annual financial report and actuarial valuations that include financial statements and required supplementary information. Copies of the CalPERS CAFR and actuarial valuations may be obtained from the CalPERS Financial Services Division, P.O. Box 942703, Sacramento, California 94229-2703. The information set forth therein is not incorporated by reference in this Official Statement. Benefit provisions are established by State legislation in accordance with the Public Employees' Retirement Law and are generally based on a member's age, final compensation, and years of credited service. For a description of member benefits for both the Safety Plan and Miscellaneous Plan of the District administered by CalPERS, see Note 9(a) set forth in APPENDIX B – "AUDITED ANNUAL FINANCIAL REPORT OF THE DISTRICT FOR FISCAL YEAR ENDED JUNE 30, 2018" attached hereto.

The benefits for the CalPERS plans are funded by contributions from members and employers, and earnings from investment. Member contributions rates are established pursuant to the Public Employees' Retirement Law and depend on the respective employer's benefit formulas. In certain

circumstances, a portion of member contributions are paid for by the employer. Employer contribution rates are determined by periodic actuarial valuations or by statute. For a description of employer and member contribution rates, see Note 9(a) set forth in APPENDIX B – “AUDITED ANNUAL FINANCIAL REPORT OF THE DISTRICT FOR FISCAL YEAR ENDED JUNE 30, 2018” attached hereto.

Funding; Contributions. The contribution requirements of the plan members are established by State statute. The actuarial methods and assumptions used for determining the rates are based on those adopted by Board of Administration of CalPERS.

The District’s contributions for all members for fiscal year 2017-18 were in accordance with the required contribution rates calculated by CalPERS’ actuary for each fiscal year. For fiscal year 2018-19, the employee contribution rate for classic plan members is 7.0% of monthly salary and the employee contribution rate for PEPRA members is 7.0% (being 0.5% higher than the prior year’s rate) of monthly salary. The District’s employer contribution rate increased from 11.847% of covered payroll for fiscal year 2015-16, to 13.888% of covered payroll for fiscal year 2016-17, then to 15.531% of covered payroll for fiscal year 2017-18 and will be 18.062% of covered payroll for fiscal year 2018-19. The District and employee contribution rates were generated based on the June 30, 2017 annual valuation (the “2017 CalPERS Actuarial Valuation”) using a discount rate of 7.375%. In December 2016, the CalPERS Board of Administration voted to lower the current 7.5% discount rate for school employers such as the District to 7.375% for fiscal year 2018-19, 7.25% for fiscal year 2019-20, and 7.0% beginning fiscal year 2020-21. The change in the assumed rate of return is expected to result in increases in the District’s normal costs and unfunded actuarial liabilities. For the District, the implementation of the reduced discount rate began with the June 30, 2017 annual valuation and increased the District’s contribution costs beginning in fiscal year 2018-19. Historically, the District paid the employee’s contribution for most of the safety members and certain percentages for miscellaneous members.

The following Table A-12 sets forth the District’s employer contribution rates, regular annual contributions, inclusive of employee contributions paid by the District to CalPERS for fiscal years 2014-15 through 2017-18, the projected contribution for fiscal year 2018-19 and these contributions as a percentage of the District’s Total Governmental Funds expenditures for fiscal years 2014-15 through 2018-19. The District has always paid all required CalPERS annual contributions. As of June 30, 2018, 27,123 District employees were members of CalPERS.

TABLE A-12

**LOS ANGELES UNIFIED SCHOOL DISTRICT
Annual CalPERS Regular Contributions
Fiscal Years 2014-15 through 2018-19
(\$ in millions)**

Fiscal Year	CalPERS Employer Rate (Miscellaneous)	CalPERS Employer Rate (Safety)	District Contributions⁽¹⁾	District Contribution as Percentage of Total Governmental Funds Expenditures
2014-15	11.771%	30.845%	\$122.7	1.47%
2015-16	11.847	32.230	129.6	1.49
2016-17	13.888	34.384	155.9	1.77
2017-18	15.531 ⁽³⁾	33.138	177.4	1.92
2018-19 ⁽²⁾	18.062	36.949	227.0	2.54

⁽¹⁾ Reflects data for all District Funds, including the District’s General Fund.

⁽²⁾ Projected. Reflects the elimination of the Employer Paid Member Contribution for its employees.

⁽³⁾ In April 2017, CalPERS decreased the employer contribution rate from 15.800% to 15.531% and increased the member contribution rate to 6.5% from 6.0% for school employees subject to PEPPRA for the period of July 1, 2017 to June 30, 2018.

Sources: Los Angeles Unified School District Comprehensive Annual Financial Reports for fiscal years 2014-15 through 2015-16; Audited Annual Financial Report for fiscal years 2016-17 and 2017-18; Fiscal Year 2018-19 Revised District Budget; the District for the percentage of Total Governmental Funds Expenditures.

Actuarial Valuation. Since the June 30, 2015 valuation, CalPERS has employed an amortization and smoothing policy that apportions all gains and losses over a fixed 30-year period with the increases or decreases in the rate spread directly over a five-year period. In contrast, the previous policy spread investment returns over a 15-year period with experience gains and losses spread over a rolling 30-year period. On December 21, 2016, the CalPERS Board of Administration lowered the discount rate from 7.50 percent to 7.00 percent using a three-year phase-in beginning with the CalPERS Schools Pool Actuarial Valuation as of June 30, 2017 (the “2017 CalPERS Schools Pool Actuarial Valuation”). The amounts of the pension/award benefit obligation or UAAL will vary from time to time depending upon actuarial assumptions, and actual rates of return on investments, salary scales, and levels of contribution. See Table A-13 – “Actuarial Value of Schools Portion of CalPERS – Historical Funding Status” herein.

The actuarial funding method used in the 2017 CalPERS Schools Pool Actuarial Valuation is the “Entry Age Normal Cost Method”. The 2017 CalPERS Schools Pool Actuarial Valuation assumes, among other things projected inflation of 2.75% and projected payroll growth of 3.00% compounded annually. The 2017 CalPERS Schools Pool Actuarial Valuation reflects a discount rate of 7.375% compounded annually (net of administrative expenses) as of June 30, 2017, 7.25% compounded annually (net of administrative expenses) as of June 30, 2018, and 7.0% compounded annually (net of administrative expenses) as of June 30, 2019. The first reduction in the investment rate of return will impact the District’s employer contribution rates beginning in fiscal year 2018-19. The CalPERS Board also adopted new demographic assumptions on December 19, 2017, including a reduction in the inflation assumption from 2.75% as of June 30, 2017, to 2.625% as of June 30, 2018, and finally to 2.50% as of June 30, 2019. The reduction in the inflation assumption results in decreases in both the normal cost and the accrued liabilities in the future. The overall payroll growth will be reduced from 3.0% annually as of June 30, 2017, to 2.875 as of June 30, 2018, and finally to 2.75% as of June 30, 2019. The UAAL and funded status of the Schools portion of CalPERS as of June 30 of fiscal years ended June 30, 2013 through June 30, 2017 are set forth in the following Table A-13.

TABLE A-13

**Actuarial Value of Schools Portion of CalPERS
Historical Funding Status
Valuation Dates June 30, 2013 through June 30, 2017
(\$ in millions)**

Valuation Date (June 30)	Actuarial Accrued Liabilities	Market Value of Assets (MVA)	Funded Status (MVA)	Unfunded Liabilities/ (Surplus) (MVA)	Projected Payroll for Determining Contributions	Unfunded Liability/ (Surplus) as a % of Payroll
2013	\$61,487	\$49,482	80.5%	\$12,005	\$10,424	115.2%
2014	65,600	56,838	86.6	8,761	11,294	77.6
2015	73,325	56,814	77.5	16,511	12,098	136.5
2016	77,544	55,785	71.9	21,759	13,022	167.1
2017	84,416	60,865	72.1	23,551	13,683	172.1

Source: CalPERS Schools Pool Actuarial Valuation as of June 30, 2017.

District Proportionate Share. As of June 30, 2018, the District reported a net pension liability of \$1.95 billion for its proportionate share of the net pension liability of the Miscellaneous Plan. The net pension liability of the Miscellaneous Plan was measured by CalPERS as of June 30, 2017, and the total pension liability for the Miscellaneous Plan used to calculate the net pension liability was determined by CalPERS pursuant to an actuarial valuation as of June 30, 2016 rolled forward to June 30, 2017 using standard update procedures. The District’s proportion of the net pension liability was based on the fiscal year 2016-17 employer contributions calculated by CalPERS. As of June 30, 2018, the District’s proportion of the CalPERS net pension liability was approximately 8.15065%. See “– *Pension Accounting and Financial Reporting Standards*” herein and Note 9(a) to the audited financial statements of the District contained in APPENDIX B – “AUDITED ANNUAL FINANCIAL REPORT OF THE DISTRICT FOR FISCAL YEAR ENDED JUNE 30, 2018” attached hereto.

Safety Plan Actuarial Valuation. The CalPERS Safety Plan of the Los Angeles Unified School District (Employer # 3614620780) Annual Valuation Report as of June 30, 2017 uses the “Entry Age Normal Cost Method” as the actuarial funding method and assumes, among other things, a 7.375% investment rate of return (net of administrative expenses), projected annual salary increases based on category, entry age, and duration of service, projected 2.625% inflation compounded annually (which will be reduced to 2.50% as of June 30, 2018) and projected payroll growth of 2.875% compounded annually (which will be reduced to 2.75% as of June 30, 2018). The UAAL and funded status of the District’s Safety Plan, which is an individual component of CalPERS, as of June 30 of fiscal years ended June 30, 2013 through June 30, 2017, are set forth in the following Table A-14.

TABLE A-14

**CalPERS Actuarial Value of LAUSD Safety Plan⁽¹⁾
Historical Funding Status
Valuation Dates June 30, 2013 through June 30, 2017
(\$ in millions)**

Valuation Date (June 30)	Accrued Liability	Market Value of Assets⁽²⁾	Unfunded Liability	Funded Ratio	Annual Covered Payroll
2013	\$277.7	\$212.7	65.1%	76.6%	\$25.4
2014	310.5	248.6	61.9	80.1	26.6
2015	340.9	253.1	87.8	74.3	30.9
2016	365.9	252.2	113.7	68.9	32.3
2017	387.4	279.7	107.7	72.2	32.5

⁽¹⁾ Reflects information relating to the District’s Safety Plan and does not include information relating to the Miscellaneous Plan. Actuarial information relating to the historical funding status of the District’s Miscellaneous Plan is not available from CalPERS as a separate report but is incorporated in the combined schools portion of CalPERS’ pension fund as set forth in Table A-14 above.

⁽²⁾ CalPERS no longer uses an actuarial value of assets and only uses the market value of assets.

Source: CalPERS Safety Plan of the Los Angeles Unified School District (Employer # 3614620780) Annual Valuation Report as of June 30, 2017.

Public Agency Retirement System. On July 1, 1992, the District joined the Public Agency Retirement System (“PARS”), a multiple-employer retirement trust. This defined contribution plan covers the District’s part-time, seasonal, temporary and other employees not otherwise covered by CalPERS or CalSTRS, but whose salaries would otherwise be subject to Social Security tax. Benefit provisions and other requirements are established by District management based on agreements with various bargaining units. The District is unable to predict the amount of the contributions which the District may be required to make to PARS in the future. Accordingly, there can be no assurances that the District’s required contributions to PARS will not significantly increase in the future above current levels. The District has always paid all required PARS annual contributions.

The following Table A-15 sets forth the District’s annual contributions to PARS for fiscal years 2014-15 through 2017-18, the projected annual contribution to PARS for fiscal year 2018-19 and the contributions as a percentage of the District’s Total Governmental Funds expenditures for fiscal years 2014-15 through 2018-19. As of June 30, 2018, 16,778 active District employees were members of PARS.

TABLE A-15

LOS ANGELES UNIFIED SCHOOL DISTRICT
Annual PARS Contribution
Fiscal Years 2014-15 through 2018-19
(\$ in millions)

Fiscal Year	District Contributions ⁽¹⁾⁽²⁾	District Contribution as Percentage of Total Governmental Funds Expenditures
2014-15	\$5.4	0.06%
2015-16	6.2	0.07
2016-17	6.8	0.08
2017-18	6.8	0.07
2018-19 ⁽³⁾	6.7	0.07

⁽¹⁾ Reflects payments to PARS for pension costs associated with the District’s regular and specially funded programs.

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

⁽³⁾ Projected.

Sources: Los Angeles Unified School District Comprehensive Annual Financial Reports for fiscal years 2014-15 through 2015-16; Audited Annual Financial Report for fiscal years 2016-17 and 2017-18; Fiscal Year 2018-19 Revised District Budget; and the District for the percentage of Total Governmental Funds Expenditures.

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

PEPRA mandates equal sharing of normal costs between a contracting agency or school employer and their employees and that employers not pay any of the required employee contribution. However, PEPRA limits the contribution to an amount not in excess of 8% of pay for local miscellaneous or school members, not more than 12% of pay for local police officers, local firefighters, and county peace officers, and not more than 11% of pay for all local safety members. PEPRA requires employers to complete a good faith bargaining process as required by law prior to implementing changes regarding the contribution requirements. The contribution requirements of PEPRA went into effect on January 1, 2018. See “– California State Teachers’ Retirement System” and “– California Public Employees’ Retirement System” herein.

In addition, PEPRA amends existing laws to redefine final compensation for purposes of pension benefits for PEPRA Employees. Further, PEPRA permits certain public employers who have offered a lower defined benefit retirement plan before January 1, 2013 to continue to offer such plan to PEPRA Employees. However, if a public employer adopts a new defined benefit plan on or after January 1, 2013, such plan will be subject to PEPRA requirements unless, among other things, its retirement system’s chief actuary and retirement board certify that the new plan is not riskier or costlier to the public employer than the defined benefit formula required under PEPRA.

Pension Accounting and Financial Reporting Standards. In 2012, the Governmental Accounting Standards Board issued Governmental Accounting Standards Board Statement No. 68 – “Accounting And Financial Reporting For Pensions” (“GASB 68”), which revises and establishes new financial reporting requirements for most public employers, such as the District, that provide pension benefits to their employees. GASB 68, among other things, requires public employers providing defined benefit pensions to recognize their long-term obligation for pension benefits as a liability and provides greater guidance on measuring the annual costs of pension benefits, including thorough guidelines on projecting benefit payments, use of discount rates and use of the “entry age” actuarial cost allocation method. GASB 68 also enhances accountability and transparency through revised and new note disclosures and required supplementary information. GASB 68 became effective for the financial statements of plan employers, including the District’s financial statements, commencing the fiscal year ended June 30, 2015.

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

Other Postemployment Benefits

General. In addition to employee health care costs, the District provides post-employment health care benefits (“OPEB”) in accordance with collective bargaining agreements and the health benefits agreement. The District’s OPEB consists of post-employment benefits for health, prescription drug, dental, and vision coverage for retirees and their dependents. As of the 2017 Actuarial Valuation (defined herein), there are approximately 38,502 retirees and 60,730 active employees who meet the eligibility requirements for these benefits. Historically, the District has funded these benefits on a pay-as-you-go basis, paying an amount in each fiscal year equal to the benefits distributed or disbursed in that fiscal year. Beginning in fiscal year 2013-14, the District’s policy, subject to District Board approval, is to prefund a portion of its OPEB costs for employees, retirees and their beneficiaries by allocating funds for the express purpose of funding future other postemployment benefit costs to the extent possible. See “– District Financial Policies – *Budget and Finance Policy* – Liability Reserves” herein. The District Board approved the creation of the OPEB Trust Fund in May 2014. As of June 30, 2018, the District has contributed approximately \$339 million to the OPEB Trust Fund, inclusive of the District’s contributions of \$60 million in July 2014, \$30 million in September 2014, \$45 million in September 2015, \$6 million in March 2016, \$78 million in October 2016 and \$120 million in October 2017.

The following Table A-16 sets forth the District’s funding of other postemployment benefits for fiscal years 2014-15 through 2017-18, the projected contribution for fiscal year 2018-19 set forth in the Fiscal Year 2018-19 Revised District Budget and the contributions as a percentage of the District’s Total Governmental Funds expenditures for fiscal years 2014-15 through 2018-19. In addition, Table A-16 sets forth the District’s contribution to the OPEB Trust for fiscal years 2014-15 through 2018-19.

TABLE A-16

LOS ANGELES UNIFIED SCHOOL DISTRICT
 Expenditures for Other Postemployment Benefits
 Fiscal Years 2014-15 through 2018-19
 (\$ in millions)

Fiscal Year	Amount	OPEB Trust Fund Contribution	Pay as You Go Amount	Expenditure as Percentage of Total Governmental Funds Expenditures
2014-15	\$310.7	\$30.0	\$280.7	3.72%
2015-16	338.7	51.0	287.7	3.89
2016-17	342.8	78.0	264.8	3.89
2017-18	395.8	120.0	275.8	4.14
2018-19 ⁽¹⁾	297.8	0.0	297.8	3.33

⁽¹⁾ Projected.

Sources: District OPEB expenditures from the Los Angeles Unified School District Comprehensive Annual Financial Reports for fiscal years 2014-15 and 2015-16; Audited Annual Financial Reports for fiscal years 2016-17 and 2017-18; Fiscal Year 2018-19 Revised District Budget; and the District for the percentage of Total Governmental Funds Expenditures.

Postemployment Benefits Other Than Pensions Accounting and Financial Reporting Standards. In June 2015, the GASB issued Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other than Pensions (“GASB 75”), which revised and established new accounting and financial reporting requirements for state and local governments, such as the District, that offer OPEB to employees. Pursuant to GASB 75, net OPEB liabilities are required to be recognized in the financial statements for such state and local governments. In addition, GASB 75 provides additional guidance with respect to recognizing and measuring liabilities, deferred outflows and inflows of resources, and expense/expenditures. GASB 75 directs the use of “entry age normal” as the actuarial cost allocation method to be used and the various procedures, assumptions and discount rates to be used in connection with the calculation of liabilities. In connection therewith, states and local governments that do not pre-fund their respective OPEB obligations may report increased liabilities. GASB 75, among other things, requires additional note disclosures and the presentation of required supplementary information in financial statements. GASB 75 was implemented in the District’s audited financial statements beginning in fiscal year 2017-18.

Fiscal Year 2017-18 OPEB Liability and 2017 Actuarial Valuation. In the District’s Audited Annual Financial Report for fiscal year 2017-18, the Statement of Changes in Net Position shows that the District’s net position decreased by \$0.37 billion during the year. The unrestricted net position, which is negative, declined from (\$19.26) billion as restated to (\$19.56) billion. The negative unrestricted net position is largely the result of net other postemployment (OPEB) liability and net pension liability for various retirement plans. The recorded net OPEB liability of \$14.97 billion as of June 30, 2018 takes into consideration the adoption of GASB 75, under which the District is now required to recognize in full its total net OPEB liability rather than on an incremental basis. According to the LAO’s “Update on School District Retiree Health Benefits,” dated September 25, 2017, the District’s OPEB liability accounts for over 50% of the total OPEB liability of school districts in the State. However, the District has taken steps to begin to pre-fund its OPEB liability by making deposits from time to time to an irrevocable trust when its reserves exceed the 5% Minimum Reserve Threshold, subject to board approval.

The Actuarial Valuation Report Postretirement Health Benefits as of June 30, 2017 (the “2017 Actuarial Valuation”), prepared for the District by Aon Hewitt, sets forth the District’s actuarial valuation of postemployment medical benefits as of June 30, 2017 for its employees and retirees. The District’s net OPEB liability of \$15.2 billion at June 30, 2018 is measured as the total OPEB liability less the OPEB

plan's fiduciary net position and is based on the data and assumptions presented in the 2017 Actuarial Valuation. The 2017 Actuarial Valuation is based on the "Entry Age Normal Cost" method with amortization of the unfunded liability over an open 30-year period with a level percentage of pay amortization amounts (assuming 3.0% annual increase). The 2017 Actuarial Valuation assumes a discount rate of 3.60% and inflation of 2.75% per annum. For more information on the District's OPEB plan, OPEB liability and assumptions contained in the 2017 Actuarial Valuation, see Note 9 to the audited financial statements of the District contained in APPENDIX B – "AUDITED ANNUAL FINANCIAL REPORT OF THE DISTRICT FOR FISCAL YEAR ENDED JUNE 30, 2018" attached hereto.

Changes to the Fiscal Year 2017-18 OPEB Liability and 2019 Actuarial Valuation. Since the 2017 Actuarial Valuation, the District has implemented changes to the healthcare plans and providers available under its OPEB plan in accordance with its plan design authority under health and benefits agreements. As of January 1, 2019, the District implemented the Anthem Preferred PPO (50 state Medicare Advantage Plan) (the "Anthem PPO"), which replaced the United HealthCare Group Medicare Advantage Plan and the Anthem Blue Cross Medicare (EPO) plan. The Anthem PPO is less costly than the plans it replaces. The District projects that the Anthem PPO will save approximately \$50 million per year in healthcare costs, reducing health and welfare expenditures of the District by 5% annually. The Actuarial Valuation Report GASB 75 Reporting and Disclosure Information for Fiscal Year Ending June 30, 2019 (the "2019 Actuarial Valuation"), prepared for the District by Aon Hewitt, reflects the implementation of the Anthem PPO and is based on the census data, actuarial assumptions, and the OPEB plan provisions used in the 2017 Actuarial Valuation, except for the following new assumptions:

- OPEB Trust Fund Assets: \$387,850,472 as of June 30, 2018 measurement date
- Municipal Bond Rate: 3.87% as of July 1, 2018 based on the *Bond Buyer* General Obligation Bond 20-Bond Municipal Bond Index
- Discount Rate: 3.90% as of July 1, 2018, after reassessment based on updated OPEB Trust Fund assets and the municipal bond rate as of July 1, 2018
- Trend, Claims and Medical Plan Election Assumptions: Updated to reflect Anthem PPO implementation

As shown in Table A-17 below, the implementation of the Anthem PPO together with the new actuarial assumptions result in a significant reduction in the District's net OPEB liability from \$14.97 billion as of June 30, 2018 (prior to the Anthem PPO implementation) to \$11.18 billion (after the Anthem PPO implementation).

TABLE A-17

**LOS ANGELES UNIFIED SCHOOL DISTRICT
NET OPEB LIABILITY
As of June 30, 2018 and June 30, 2019
(\$ in billions)**

	Fiscal Year Ending June 30, 2018	Fiscal Year Ending June 30, 2019
(1) OPEB Liability		
(a) Retired Participants and Beneficiaries		
Receiving payment	\$ 4.758	\$ 3.287
(b) Active Participants	10.454	8.282
(c) Total	15.213	11.569
(2) Plan Fiduciary Net Position	0.244	0.388
(3) Net OPEB Liability	14.969	11.181
(4) Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	1.60%	3.35%
(5) Deferred Outflow of Resources for Contributions Made After Measurement Date	\$ 0.426	TBD

Sources: 2019 Actuarial Valuation.

The District cannot predict the impact future changes in actuarial assumptions and health care costs and providers will have on the District’s net OPEB liability.

Risk Management and Litigation

General. The District maintains various excess property, casualty and fidelity insurance programs, which are self-insured, with varying self-insured retentions. The District’s excess property coverage is provided currently through its membership in the Public Entity Property Insurance Program (“PEPIP”), an insurance pool comprised of certain cities, counties and school districts. The District maintains excess property insurance on all District facilities under a combination of self-insurance retentions and varying sublimits through the excess insurance policies of PEPIP. The current self-insured retention for fire loss damage for excess property coverage is \$500,000 per occurrence and the aggregate policy limit is \$1 billion. The District maintains what it considers to be adequate reserves to cover losses within the self-insurance retention. District General Fund resources are used to pay for property loss insurance and uninsured repairs for property damage. In addition to the above excess property policies, the District purchases a separate boiler and machinery policy with \$100 million in occurrence limits and a Fidelity crime coverage with \$10 million in occurrence limits.

Excess property insurance is maintained through a combination of excess policies with an occurrence limit of \$1 billion. General liability insurance currently provides \$35 million coverage above a \$5 million self-insurance retention. Except as set forth below, no settlements exceeded insurance coverage in the last five fiscal years ended June 30, 2018. The District maintains reserves that it believes are adequate to cover losses within the self-insured retention.

Prior to fiscal year 2013-14, the District’s liability coverage generally included coverage for sexual misconduct and molestation. Liability coverage beginning in fiscal year 2013-14 does not include this coverage because the District has determined that it is not available at reasonable rates from any insurance provider. In March 2014, the District Board approved a joint powers authority agreement by and between the District and the Los Angeles Trust Children’s Health Inc. to establish the Los Angeles

Unified School District Risk Management Authority (the “Risk Management Authority”) which became effective July 1, 2014. The Risk Management Authority allows the District to purchase reinsurance for excess liability coverage for incidents such as sexual misconduct and molestation. The Risk Management Authority was capitalized by the District and provides an insurance program for the District and the Los Angeles Trust Children’s Health Inc. The Risk Management Authority allows the District to purchase reinsurance for excess liability coverage which is not presently available to self-insured public agencies such as the District. See “– *Events Regarding Suspended and Former District Employees*” herein.

The District believes that the amounts currently reserved for potential liabilities attributable to claims of molestation and sexual misconduct are adequate. See “– *Events Regarding Suspended and Former District Employees*” herein. The District will increase the expenditures projected in its budget and interim financial reports if necessary and only to the extent that the District’s liabilities exceed the amount budgeted for self-insurance or current excess liability coverage. The District expects that such an increase will occur if claims relating to sexual misconduct by former and suspended District employees exceed the amount reserved for settlements and monetary damages to date. See “– *Events Regarding Suspended and Former District Employees*” herein. Such liabilities could decrease the District’s net position as of June 30, 2019 from the amount set forth in the District’s financial statements for fiscal year 2017-18. See APPENDIX B – “AUDITED ANNUAL FINANCIAL REPORT OF THE DISTRICT FOR FISCAL YEAR ENDED JUNE 30, 2018” attached hereto.

Liabilities for loss and loss adjustment expenses under each of the District’s insurance programs include the accumulation of estimates for losses reported prior to the balance sheet date, estimates of losses incurred but not reported and estimates of expenses for investigating and adjusting reported and unreported losses. Such liabilities are estimates of the future expected settlements and are based upon analysis of historical patterns of the number of incurred claims and their values. The District believes that, given the inherent variability in any such estimates, the aggregate liabilities are within a reasonable range of adequacy. Individual reserves are continually monitored and reviewed, and, as settlements are made or reserves adjusted, differences are reflected in current operations. See APPENDIX B – “AUDITED ANNUAL FINANCIAL REPORT OF THE DISTRICT FOR FISCAL YEAR ENDED JUNE 30, 2018” attached hereto.

Workers’ Compensation. The District is self-insured for its Workers’ Compensation Program. A separate fund is used to account for amounts set aside to pay claims incurred and related expenditures under the Workers’ Compensation Program. The amount to be deposited in the Workers’ Compensation Fund is established with information from an independent actuary. The District maintains at a minimum the actuarially required deposit in its Workers’ Compensation Fund in accordance with its policy. See “– District Financial Policies – *Budget and Finance Policy – Liability Reserves*” herein. The District’s “Actuarial Study of Workers’ Compensation Program” as of December 31, 2016 recommended a minimum funding level of \$118.29 million for fiscal year 2017-18. As of June 30, 2018, the total revenues in the District’s Workers’ Compensation Fund (operating revenues and nonoperating revenues) was \$125.45 million, which exceeded the recommended minimum funding level.

Additionally, the District’s actuarially determined total liability for the Workers’ Compensation Program is fully funded in accordance with its policy. The District’s “Actuarial Study of Workers’ Compensation Program” as of December 31, 2017 reflected total expected losses of \$426.73 million as of June 30, 2018 at a 1.5% interest rate plus an additional amount of \$28.68 million in estimated outstanding unallocated loss adjustment expenses (also at a 1.5% interest rate) to create a total liability of \$455.41 million as of June 30, 2018. The District fully funded such liability with approximately \$517.82 million in cash available in the Workers’ Compensation Fund as of June 30, 2018.

The District’s most recent actuarial report regarding its workers’ compensation program, the “Actuarial Study of Workers’ Compensation Program” as of December 31, 2018, recommends a minimum funding level of \$119.05 million for fiscal year 2019-20, and the District expects to meet such balance in the Workers’ Compensation Fund for fiscal year 2019-20. The following Table A-18 sets forth the actuary’s recommended the minimum funding levels for workers’ compensation set forth in the actuarial report as of December 31, 2016, December 31, 2017 and the most recent actuarial report covering the period as of December 31, 2018.

TABLE A-18

**LOS ANGELES UNIFIED SCHOOL DISTRICT
Recommended Minimum Funding Levels
Workers’ Compensation
Fiscal Years 2018-19 through 2021-22
(\$ in millions)**

Fiscal Year	Present Value of Projected Ultimate Losses (Discounted at 1.5%)	Budgeted Expenses for Claims Handling and Administration	Recommended Minimum Funding Level
2017-18	\$ 99.19	\$ 19.10	\$ 118.29
2018-19	91.91	19.10	111.01
2019-20	99.35	19.70	119.05
2020-21	100.77	20.30	121.07
2021-22	101.28	20.90	122.18

Source: Los Angeles Unified School District Actuarial Study of Workers’ Compensation Program as of December 31, 2016 for fiscal year 2017-18; Los Angeles Unified School District Actuarial Study of Workers’ Compensation Program as of December 31, 2017 for fiscal year 2018-19; the Los Angeles Unified School District Actuarial Study of Workers’ Compensation Program as of December 31, 2018 for fiscal years 2019-20 through 2021-22.

The following Table A-19 sets forth information on changes in the Workers Compensation Program’s liabilities from fiscal years 2013-14 through 2017-18. The District uses separate funds to account for amounts set aside to pay claims incurred and related expenditures under the respective insurance programs. See “– District Financial Policies – *Budget and Finance Policy* – Liability Reserves” herein and Note 10 in the audited financial statements for fiscal year 2017-18 set forth in APPENDIX B – “AUDITED ANNUAL FINANCIAL REPORT OF THE DISTRICT FOR FISCAL YEAR ENDED JUNE 30, 2018” attached hereto.

TABLE A-19

LOS ANGELES UNIFIED SCHOOL DISTRICT
Workers' Compensation Claims Paid
Fiscal Years 2013-14 through 2017-18
 (\$ in millions)

Fiscal Year	Liability: Beginning of fiscal year	Current Year Claims and Changes in Estimates	Claims Paid	Liability: End of fiscal year
2013-14	\$420.8	\$ 98.6	\$ (97.9)	\$421.5
2014-15	421.5	162.6	(100.0)	484.1
2015-16	484.1	110.8	(102.5)	492.4
2016-17	492.4	104.4	(101.1)	495.6
2017-18	495.6	67.6	(107.9)	455.4

Sources: Los Angeles Unified School District Comprehensive Annual Financial Reports for fiscal years 2013-14 through 2015-16; Audited Annual Financial Report for fiscal years 2016-17 and 2017-18.

Pollution Legal Liability Policy. The District purchased through the American International Group's ("AIG") companies a pollution legal liability ("PLL") policy with coverage of \$50 million for each incident, with an aggregate of \$100 million (coverage period of August 11, 1999 through August 11, 2019). The District filed a lawsuit in Los Angeles County Superior Court in March 2006 against AIG alleging the insurance carrier committed acts of bad faith for failure to honor claims incurred during the PLL policy period. Pursuant to a settlement agreement by and between the District and AIG, AIG is required to pay to the District \$78,750,000 from fiscal year 2011-12 to fiscal year 2021-22, of which approximately \$61.75 million has been paid to District as of June 30, 2018.

Owner-Controlled Insurance Program. The District has arranged for its construction projects to be insured under its owner-controlled insurance program ("OCIP"). An OCIP is a single insurance program that insures the District, the District Board, all enrolled contractors, and enrolled subcontractors, and other designated parties for work performed at project sites. The District pays the insurance premiums for the OCIP coverages and requires each eligible bidder to exclude from its bid price the cost of insurance coverage. The exclusion of the cost of insurance premiums from each bid is intended to result in lower overall bids for projects, which would in turn lower the contract award amount and general obligation bond and other funds spent. In addition, the District may be able to pay a lower overall insurance cost than a single contractor because of the economies of scale gained by the purchase of an OCIP.

Litigation Regarding District Layoff Procedures. A complaint for injunctive and declaratory relief was filed on February 24, 2010 in the Los Angeles County Superior Court against the District and the State entitled *Reed, et al. v. State of California and the Los Angeles Unified School District, et al* (the "Reed litigation"). The plaintiffs, students at three middle schools within the District at the time of the complaint, alleged that the State's and the District's budgetary measures resulted in increased layoffs and use of substitute teachers at the schools named therein that were disproportionate to other schools within the District. The complaint alleged that, as a result of these budgetary measures, the plaintiffs had been deprived of educational equality. Among other relief, the plaintiffs sought declaratory relief that the State and the District had violated their rights under the State Constitution and the State Government Code and injunctive relief prohibiting the defendants from implementing future layoffs of teachers at the schools named therein that were disproportionate to other schools within the District or hindering the ability of the schools to maintain an effective corps of teachers. The District reached an agreement with UTLA and the Partnership for Los Angeles Schools in the *Reed* litigation in April 2014. The District agreed to provide

administrative and teacher support to 37 of the District's schools in accordance with a settlement agreement that was formally approved by the Superior Court in fall of 2014. The District has completed the three-year settlement program. The plaintiffs have requested that the District extend the term of the settlement agreement by three years to June 30, 2020. The District voluntarily agreed to provide additional administrative and teacher support to the 37 schools through June 30, 2019 as the fifth and final year.

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

On June 12, 2012, the Superior Court ruled that the District did not comply with the requirements of the Stull Act with respect to student progress towards State and local standards and teacher evaluations. The District entered into separate agreements with the UTLA and AALA (collectively, the "Stull Act Agreements") regarding the implementation of evaluation procedures for certificated employees. Pursuant to the Stull Act Agreements, the District must measure student growth and progress using State-adopted, criterion-referenced student testing results under the California State Testing program. The District, UTLA and AALA are implementing the statutory requirements identified by the Superior Court and the Stull Act Agreements. On June 18, 2013, UTLA filed a charge with the Public Employee Relations Board ("PERB") which alleged that the District unilaterally implemented a four-level evaluation rating policy. In June 2014, the District and UTLA presented the matter to the PERB for consideration. On December 24, 2014, the Administrative Law Judge provided his decision which ruled in favor of the District on some matters and ruled in favor of UTLA on others. The District is appealing the ruling and will continue with the current new evaluation until the appeal process is exhausted and a final decision is made. As of the date hereof, PERB has not issued a final decision regarding this matter and the District cannot predict the schedule for such a decision. The District appealed the ruling and will continue with the current new evaluation until the appeal process is exhausted and a final decision is made. PERB issued a final decision affirming the Administrative Law Judge's decision. The District filed a petition for review with the California Court of Appeal, which is pending and the District cannot predict the schedule for such a decision. However, the District does not expect any decision to adversely affect the ability of the District to pay the principal of and interest on the Bonds as and when due.

Litigation Regarding Proposition 39 Charter School Facilities. In May 2010, the California Charter Schools Association ("CCSA"), on behalf of its member charter schools, filed a complaint against the District, the District Board and former Superintendent Ramon Cortines in his official capacity, entitled *California Charter Schools Association vs. Los Angeles Unified School District, et. al.* (the "CCSA Complaint"). The CCSA Complaint alleged, among other things, that the District failed to comply with a 2008 settlement agreement between the District and CCSA (the "Settlement Agreement") relating to the District's obligations under Proposition 39, which requires the District to make certain facilities available to charter schools operating within the District's jurisdiction. The District prevailed on claims relating to fiscal years 2010-11 and 2011-12, as set forth in the original CCSA Complaint. However, subsequent to the expiration of the Settlement Agreement, CCSA amended its complaint to seek a judicial declaration that the District did not make its facilities available with respect to fiscal year 2016-17 in accordance with

Proposition 39. On February 27, 2017, the Superior Court denied CCSA's motion for summary adjudication of its amended declaratory relief cause of action. In April 2018, CCSA voluntarily dismissed all of its remaining claims against the District with prejudice. As such, there are no future outcomes or remedies anticipated to be imposed by any court with respect to the amended CCSA Complaint.

Litigation Regarding Charter School Funding. On January 11, 2016, CCSA filed a petition for writ of mandate and complaint including claims for reverse validation, taxpayer action, school bond action, declaratory relief and injunctive relief against the District, Michelle King, in her capacity as Superintendent, and all persons interested in the matter of the validity of the November 20, 2015 Board of Education decision to update the School Upgrade Program. The action was titled *California Charter Schools Association v. Los Angeles Unified Schools District* (the "CCSA Measure Q Complaint").

In the CCSA Measure Q Complaint, CCSA alleged that Measure Q allocated \$450 million of the \$7 billion authorization to be used exclusively for charter school facilities. CCSA alleged that, subsequent to the approval of Measure Q, the District reallocated nearly fifty percent of this allocation to other purposes. The CCSA Measure Q Complaint claimed that the reallocation of Measure Q bond proceeds occurred in connection with the approval of and updates to the District's School Upgrade Program and the related spending targets and the implementation of a consent decree related to the Americans with Disabilities Act and the Individuals with Disabilities Education Act. CCSA sought a judicial determination that the District improperly reallocated funds designated for charter schools in the amounts of \$48 million in January 2014, \$88 million in September 2015 and \$88 million in November 2015.

CCSA requested that the court find the alleged reallocations from charter schools unlawful and invalidate these actions. CCSA requested that the court enjoin the District, the District Board, and the Superintendent from taking any actions in reliance on and in furtherance of the alleged reallocation of Measure Q bond proceeds for charter schools. In addition, CCSA sought to compel the District to provide additional documents in connection with the allocation of funds for school facilities based on, among other things, the belief that the District has not complied with public records provisions of the Government Code.

In response to CCSA's complaint, the District filed a demurrer challenging the legal sufficiency of CCSA's claims. On October 18, 2016, the Los Angeles Superior Court sustained the District's demurrer to the CCSA Measure Q Complaint with leave to amend. On December 19, 2016, CCSA filed an amended petition and complaint. On January 20, 2017, the District filed a demurrer to the amended petition and complaint. On April 18, 2017, the Los Angeles Superior Court sustained the District's demurrer without leave to amend. CCSA appealed the Superior Court decision, but on April 6, 2018, the Court of Appeal formally dismissed the appeal at CCSA's request and issued the remittitur and ruled the District shall recover its costs. As such, there are no future outcomes or remedies anticipated to be imposed by any court with respect to the CCSA Measure Q Complaint.

Litigation Regarding the Local Control Funding Formula. In July 2015, the District was named as a respondent in the *Frias* Complaint, which claimed, among other things, that special education services may not be considered services for Unduplicated Pupils and, by counting \$450 million in general fund expenditures for special education services as part of funding for Unduplicated Pupils in fiscal year 2013-14, the District had violated the Education Code and LCFF regulations and caused errors in the calculation of MPP, which affects subsequent funding for Unduplicated Pupils. The CDE reviewed various aspects of the *Frias* Complaint and, in May 2016, issued a report and decision letter that directed the District to recalculate certain aspects of the LCFF and related LCAP. In September 2017, the District, the CDE and the petitioners in *Frias* executed the Unduplicated Pupils Funding Settlement Agreement,

which conclusively settled all claims as to the parties. See “– District Budget – *Expenditures for Unduplicated Pupils*” herein for a description of the Unduplicated Pupils Funding Settlement Agreement. As a result of the settlement, the issues concerning the CDE were also resolved. The terms of such settlement continue to be implemented.

Litigation Regarding Insurance Providers. In September 2015, the District filed a lawsuit entitled *Los Angeles Unified School District v. ACE et al. in Los Angeles County Superior Court* seeking more than \$200 million in damages, and which alleged that more than twenty of the District’s current and former insurance providers failed to fund the defense and reimburse the District for settlement amounts paid by the District in connection with the events relating to certain suspended and former District employees, as required under the insurance policies they issued to the District. See “– *Events Regarding Suspended and Former District Employees*” below. In April 2017, the District filed a lawsuit in Los Angeles County Superior Court entitled *Los Angeles Unified School District vs. AIU Insurance Company, et. al.*, seeking declaratory relief and more than \$40 million in damages from eight of the District’s current and former insurance providers and their successors and assigns in connection with the lawsuits filed against the District for the negligence of its employees in hiring, retaining, and supervising Paul Chapel, who allegedly engaged in misconduct against students at Telfair Elementary School. The District has not been reimbursed by any of the defendants for amounts expended in conjunction with defending against and resolving the litigation described in this section. Further, the District has alleged that the insurance providers have not honored their respective insurance obligations owed to the District in connection with underlying litigation and failed to conduct a timely, good faith investigation of the matters. The District anticipates possible mediation and trial will occur in 2020. The District cannot predict the final outcome of or remedy imposed by any court with respect to these complaints or the amounts, if any, by which any of the insurance providers will reimburse the District for settlements in the underlying litigation.

Events Regarding Suspended and Former District Employees. In response to claims of sexual misconduct alleged to have been committed by former District personnel, the District imposed disciplinary actions upon such personnel, including, among other things, suspending and terminating such personnel in accordance with District policy. In connection with allegations of misconduct by current and former District personnel, the District entered into a \$27.26 million settlement agreement in February 2013 and a \$139 million settlement agreement in November 2015 that directed the District to establish funds and make appropriations for the claimants named therein relating to health, education, and monetary compensation. In fiscal years 2015-16 and 2016-17, the District entered into settlement agreements aggregating \$10.49 million and \$4.5 million respectively.

The District has received and could receive additional complaints seeking declaratory, injunctive, and monetary relief relating to allegations of misconduct by current and former employees. The District’s potential liabilities could exceed the amounts which are currently recognized and the probable amount of contingent liabilities for which the District has set aside reserves based upon an independent third-party actuarial analysis. The Fiscal Year 2018-19 Second Interim Report reflects additional amounts to cover legal costs and potential settlements. However, the District cannot predict whether any plaintiffs in any pending complaints will prevail, and if so, how any final court decision or settlement agreement with respect to any lawsuit may affect the financial status, policies or operations of the District, as the nature of any court’s remedy and the responses thereto are unknown at the present time. The costs of any final court decision or settlement agreement could be substantial and materially greater than the amounts proposed under the pending settlement agreements. However, the District does not expect any decision or change in law to adversely affect the ability of the District to pay the principal of and interest on the Bonds as and when due.

District Debt

General Obligation Bonds. From July 1997 through March 2003, the District issued the entire amount of \$2,400,000,000 general obligation bonds authorized pursuant to Proposition BB approved by voters on April 8, 1997 (the “Proposition BB Authorization”). From May 2003 to May 2010, the District issued the entire amount of \$3,350,000,000 general obligation bonds pursuant to Measure K approved by voters on November 5, 2002 (the “Measure K Authorization”). A \$3,870,000,000 general obligation bond authorization was approved by the voters on March 2, 2004 (the “Measure R Authorization”). The District has issued \$3,710,010,000 aggregate principal amount of Measure R general obligation bonds. A \$3,985,000,000 general obligation bond authorization was approved by the voters on November 8, 2005 (the “Measure Y Authorization”). The District has issued \$3,732,850,000 of aggregate principal amount of Measure Y general obligation bonds. A \$7,000,000,000 general obligation bond authorization was approved by voters on November 4, 2008 (the “Measure Q Authorization”). The District has issued \$1,868,955,000 of aggregate principal amount of Measure Q general obligation bonds.

Pursuant to Section 1(b)(3) of Article XIII A of the State Constitution, Chapters 1 and 1.5 of Part 10 of Division 1 of Title 1 of the State Education Code, as amended, and other applicable law (collectively, the “Act”), the District Board has appointed a Citizens’ Bond Oversight Committee. The Citizen’s Bond Oversight Committee is composed of 15 members representing numerous community groups and operates to inform the public concerning the spending of Measure K, Measure R, Measure Y and Measure Q Authorization bond funds authorized by the Act. The Citizen’s Bond Oversight Committee regularly reviews the potential bond projects and budgets and provides non-binding advice to the District Board on how to allocate and reallocate scarce bond proceeds in order to ensure the completion of viable projects and to avoid non-completion of projects once commenced. The Citizens’ Bond Oversight Committee also informs the public concerning the spending of funds attributable to the Proposition BB Authorization, although Proposition BB was approved under statutes other than the Act. The Citizens’ Bond Oversight Committee meets monthly in order to review all matters including, among other things, changes in budget, scope and schedules that relate to the District’s general obligation bonds and the projects proposed to be funded therefrom. In addition, the Citizens’ Bond Oversight Committee makes recommendations to the District Board regarding such matters. See “CALIFORNIA CONSTITUTIONAL AND STATUTORY PROVISIONS RELATING TO *AD VALOREM* PROPERTY TAXES, DISTRICT REVENUES AND APPROPRIATIONS – Proposition 39” herein. The District’s Office of the Inspector General conducts audits on a selected number of the construction management firms on an annual basis to ensure that funds from the School Upgrade Program (SUP) and other legacy bond programs are spent in compliance with the Act and the District’s policies relating thereto. The District’s outside auditor, Simpson & Simpson, currently prepares the required bond audits regarding the expenditures of general obligation bond proceeds.

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

**LOS ANGELES UNIFIED SCHOOL DISTRICT
Citizens’ Bond Oversight Committee
(As of February 1, 2019)**

<u>Member</u>	<u>Community Group Represented</u>
Rachel Greene, Chair	Tenth District Parent Teacher Student Association
Bevin Ashenmiller, Vice Chair	LAUSD Student Parent
Susan J. Linschoten, Secretary	Los Angeles County Auditor-Controller’s Office
Karen Krygier, Executive Member	L.A. City Controller’s Office
Araceli Sandoval-Gonzales, Executive Member	Early Education Coalition
Jeffrey Fischbach	California Tax Reform Association
Greg Good	Office of the Mayor, City of Los Angeles
Michael Keeley	CA Charter Schools Association
Kate Mergen	Associated General Contractors of California
Ron Miller	Los Angeles/Orange Counties Building & Construction Trades Council
Scott Pansky	Los Angeles Area Chamber of Commerce
Dolores Sobalvarro	AARP
Douglas Teiger	American Institute of Architects
Celia Ayala	Early Education Coalition (Alternate)
Arlene Barrera	Los Angeles County Auditor-Controller’s Office (Alternate)
Jose Zambrano	Tenth District Parent Teacher Student Association (Alternate)
Vacant	LAUSD Student Parent
Vacant	31 st District Parent Teacher Student Association

The following Table A-20, Table A-21, Table A-22, Table A-23 and Table A-24 set forth the outstanding series of general obligation bonds and the amount outstanding as of February 1, 2019 under the Proposition BB, Measure K, Measure R, Measure Y and Measure Q Authorizations, respectively.

TABLE A-20

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

Bond Issue	Aggregate Principal Amount	Outstanding Amount as of February 1, 2019	Date of Issue
2009 Refunding Bonds, Series A ⁽¹⁾	\$ 51,090	\$ 23,635	October 15, 2009
2011 Refunding Bonds, Series A-1 ⁽¹⁾	206,735	104,935	November 1, 2011
2014 Refunding Bonds, Series A ⁽¹⁾	196,850	76,285	June 26, 2014
2015 Refunding Bonds, Series A ⁽¹⁾	326,045	318,085	May 28, 2015
2016 Refunding Bonds, Series A ⁽¹⁾	202,420	196,505	April 5, 2016
2017 Refunding Bonds, Series A ⁽¹⁾	<u>139,265</u>	<u>134,800</u>	May 25, 2017
TOTAL	<u>\$1,122,405</u>	<u>\$854,245</u>	

⁽¹⁾ Refunding bonds issued to refund general obligation bonds, which were issued pursuant to the Proposition BB Authorization are not counted against the Proposition BB Authorization of \$2.4 billion.

Source: Los Angeles Unified School District.

TABLE A-21

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

Bond Issue	Aggregate Principal Amount	Outstanding Amount as of February 1, 2019	Date of Issue
Series D Bonds (2009)	\$ 250,000	\$ 185,710	February 19, 2009
Series KRY Bonds (2009) (Federally Taxable Build America Bonds)	200,000	200,000	October 15, 2009
Series KRY Bonds (2010) (Tax-Exempt)	149,140	145,250	March 4, 2010
2011 Refunding Bonds, Series A-2 ⁽¹⁾	201,070	142,915	November 1, 2011
2012 Refunding Bonds, Series A ⁽¹⁾	59,190	46,370	May 8, 2012
2014 Refunding Bonds, Series B ⁽¹⁾	323,170	174,540	June 26, 2014
2016 Refunding Bonds, Series A ⁽¹⁾	226,040	198,475	April 5, 2016
2016 Refunding Bonds, Series B ⁽¹⁾	227,535	224,920	September 15, 2016
2017 Refunding Bonds, Series A ⁽¹⁾	941,565	921,240	May 25, 2017
	<u>\$2,577,710</u>	<u>\$2,239,420</u>	

⁽¹⁾ Refunding bonds issued to refund general obligation bonds, which were issued pursuant to the Measure K Authorization, are not counted against the Measure K Authorization of \$3.35 billion.

Source: Los Angeles Unified School District.

TABLE A-22

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

Bond Issue	Aggregate Principal Amount	Outstanding Amount as of February 1, 2019	Date of Issue
Series I Bonds (2009)	\$ 550,000	\$ 412,195	February 19, 2009
Series KRY Bonds (2009) (Federally Taxable Build America Bonds)	363,005	363,005	October 15, 2009
Series KRY Bonds (2009) (Tax-Exempt)	36,995	15,085	October 15, 2009
Series RY Bonds (2010) (Federally Taxable Build America Bonds)	477,630	477,630	March 4, 2010
Series KRY Bonds (2010) (Tax-Exempt)	157,165	152,165	March 4, 2010
2012 Refunding Bonds, Series A ⁽¹⁾	95,840	64,615	May 8, 2012
2014 Refunding Bonds, Series C ⁽¹⁾	948,795	875,070	June 26, 2014
2016 Refunding Bonds, Series A ⁽¹⁾	56,475	34,380	April 5, 2016
2016 Refunding Bonds, Series B ⁽¹⁾	<u>176,455</u>	<u>176,455</u>	September 15, 2016
TOTAL	<u>\$2,862,360</u>	<u>\$2,570,600</u>	

⁽¹⁾ Refunding bonds issued to refund general obligation bonds, which were issued pursuant to the Measure R Authorization, are not counted against the Measure R Authorization of \$3.87 billion.
Source: Los Angeles Unified School District.

TABLE A-23

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

Bond Issue	Aggregate Principal Amount	Outstanding Amount as of February 1, 2019	Date of Issue
Series F Bonds (2009)	\$ 150,000	\$ 111,540	February 19, 2009
Series KRY Bonds (2009) (Federally Taxable Build America Bonds)	806,795	806,795	October 15, 2009
Series H Bonds (2009) (Qualified School Construction Bonds)	318,800	318,800	October 15, 2009
Series KRY Bonds (2010) (Tax-Exempt)	172,270	95,770	March 4, 2010
Series RY Bonds (2010) (Federally Taxable Build America Bonds)	772,955	772,955	March 4, 2010
Series J Bonds (2010) (Qualified School Construction Bonds)	290,195	290,195	May 6, 2010
2014 Refunding Bonds, Series D ⁽¹⁾	153,385	143,555	June 26, 2014
2014 Refunding Bonds, Series K ⁽¹⁾	35,465	3,725	August 19, 2014
2016 Refunding Bonds, Series A ⁽¹⁾	92,465	75,270	April 5, 2016
2016 Refunding Bonds, Series B ⁽¹⁾	96,865	96,865	September 15, 2016
Series M-1 Bonds (2018)	<u>117,005</u>	<u>117,005</u>	March 8, 2018
TOTAL	<u>\$3,006,200</u>	<u>\$2,832,475</u>	

⁽¹⁾ Refunding bonds issued to refund general obligation bonds, which were issued pursuant to the Measure Y Authorization, are not counted against Measure Y Authorization of \$3.985 billion.
Source: Los Angeles Unified School District.

TABLE A-24

**LOS ANGELES UNIFIED SCHOOL DISTRICT
Measure Q (Election of 2008) Bonds
(\$ in thousands)**

Bond Issue	Aggregate Principal Amount	Outstanding Amount as of February 1, 2019	Date of Issue
Series A Bonds (2016)	\$ 648,955	\$ 617,295	April 5, 2016
Series B-1 Bonds (2018)	<u>1,085,440</u>	<u>1,085,440</u>	March 8, 2018
TOTAL	<u>\$1,734,395</u>	<u>\$1,702,735</u>	

Source: Los Angeles Unified School District.

Certificates of Participation. As of February 1, 2019, the District had outstanding lease obligations issued in the form of COPs in the aggregate principal amount of approximately \$180,545,000. The District estimates that the aggregate payment of principal and interest evidenced by COPs will be approximately \$237,182,000 until the final maturity thereof. This amount does not reflect the receipt of the direct cash subsidy payments from the United States Department of the Treasury made in connection with the District’s Certificates of Participation 2010 Series B-1 (Federally Taxable Direct Pay Build America Bonds) (Capital Projects I). See “– *Limitations Related to Receipt of Federal Funds*” herein. The District’s lease obligations are not subject to acceleration in the event of a default thereof.

The following Table A-25 sets forth the District’s lease obligations paid from the District General Fund with respect to its outstanding COPs as of February 1, 2019.

TABLE A-25

LOS ANGELES UNIFIED SCHOOL DISTRICT
 Certificates of Participation Lease Obligations Debt Service Schedule⁽¹⁾
 (as of February 1, 2019)
 (\$ in thousands)

Fiscal Year Ending (June 30)	Paid From General Fund ⁽²⁾⁽³⁾
2019	\$ 4,159
2020	24,955
2021	24,864
2022	17,532
2023	17,429
2024	16,668
2025	16,048
2026	16,218
2027	16,163
2028	16,112
2029	16,037
2030	14,147
2031	14,073
2032	14,001
2033	2,277
2034	2,222
2035	2,169
2036	<u>2,108</u>
Total⁽⁴⁾	<u>\$237,182</u>

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

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

(3) Does not assume receipt of a direct cash subsidy payment from the United States Department of Treasury. See “– Limitations Related to Receipt of Federal Funds” herein.

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

Source: Los Angeles Unified School District.

Limitations Related to Receipt of Federal Funds. On March 1, 2013, then-President Barack Obama signed an executive order (the “Sequestration Executive Order”) to reduce budgetary authority in certain accounts subject to sequester in accordance with the Budget Control Act of 2011 and the American Taxpayer Relief Act of 2012. Pursuant to the Sequestration Executive Order, budget authority for all accounts in the domestic mandatory spending category including, among others, accounts for the payments to issuers of “Direct Pay Bonds,” which includes the District’s outstanding Series KRY Bonds (2009) (Federally Taxable Build America Bonds) (the “Series KRY Bonds (2009)”) and Series RY Bonds (2010) (Federally Taxable Build America Bonds) (the “Series RY Bonds (2010)”) and Series J (Qualified School Construction Bonds) (the “Series J Bonds”). In addition, the District’s Certificates of Participation 2010 Series B-1 (Federally Taxable Direct Pay Build America Bonds)(Capital Projects I) (the “2010 Series B-1 Certificates”) were executed and delivered as Direct Pay Bonds. Direct Pay Bonds are issued as taxable bonds and provide credits to the District from the federal government pursuant to Section 54AA(d) and 54AA(g) of the Code.

Pursuant to the Bipartisan Budget Act of 2013 which was signed into law in December 2013, the District's Direct Pay Bonds are subject to the full amount of sequestration budget cuts and will have their planned federal payments reduced until the federal fiscal year ending September 30, 2023. The federal subsidy for the Direct Pay Bonds for the federal fiscal year ending September 30, 2018 was reduced by 6.6% and will be reduced by 6.2% for the federal fiscal year ended September 30, 2019. During the federal fiscal year ending September 30, 2019, the District expects that the sequester will result in a reduction in the aggregate amount of approximately \$4.6 million with respect to the refundable credits for the Series KRY Bonds (2009), Series RY Bonds (2010) and Series J Bonds and a reduction in the amount of approximately \$38,100 with respect to the refundable credit for the 2010 Series B-1 Certificates. The District's Series KRY Bonds (2009), Series RY Bonds (2010), and Series J Bonds are payable from and secured by *ad valorem* property taxes which are to be assessed in amounts sufficient to pay principal of and interest on the Series KRY Bonds (2009), Series RY Bonds (2010), and Series J Bonds when due. The County has levied and will continue to levy *ad valorem* property taxes in an amount sufficient to pay principal of and interest on the Series KRY Bonds (2009), Series RY Bonds (2010), and Series J Bonds when due.

Future Financings

General Obligation Bonds. The District may not issue general obligation bonds without voter approval and may not issue general obligation bonds in an amount greater than its bonding capacity. The District may issue additional general obligation bonds or general obligation refunding bonds in the future depending upon project needs and market conditions. The District may not issue general obligation bonds under the Measure R Authorization, Measure Y Authorization or Measure Q Authorization, as applicable, if the tax rate levied to meet the debt service requirements under the related Authorization for general obligation bonds is projected to exceed \$60 per year per \$100,000 of taxable property in accordance with Article XIII A of the State Constitution. See "CALIFORNIA CONSTITUTIONAL AND STATUTORY PROVISIONS RELATING TO *AD VALOREM* PROPERTY TAXES, DISTRICT REVENUES AND APPROPRIATIONS – Article XIII A of the State Constitution" and "– Proposition 39" herein.

The District has approximately \$159,990,000 authorized and unissued general obligation bond authorization remaining under the Measure R Authorization. In addition, the District has approximately \$252,150,000 authorized and unissued general obligation bond authorization remaining under the Measure Y Authorization. The District has approximately \$5,131,045,000 authorized and unissued general obligation bond authorization remaining under the Measure Q Authorization.

Pursuant to the Education Code, the District's bonding capacity for general obligation bonds may not exceed 2.5% of taxable property valuation in the District as shown by the last equalized assessment roll of the County. Pursuant to Sections 15106 of the Education Code, the District's bonding capacity for general obligation bonds may not exceed 2.5% of taxable property value in the District as shown by the last equalized assessment of the County. The taxable property valuation in the District for fiscal year 2018-19 is approximately \$692.73 billion, which results in a total current bonding capacity of approximately \$17.32 billion, prior to the issuance of the Bonds. The District's available capacity for the issuance of new general obligation bonds is approximately \$7.12 billion (before taking into account the issuance of the Refunding Bonds). The fiscal year 2018-19 assessed valuation of property within the District's boundaries of approximately \$692.73 billion reflects an increase of 7.48% from fiscal year 2017-18. See "SECURITY AND SOURCE OF PAYMENT FOR THE REFUNDING BONDS – Assessed Valuation of Property Within the District" in the forepart of this Official Statement and "CALIFORNIA CONSTITUTIONAL AND STATUTORY PROVISIONS RELATING TO *AD VALOREM* PROPERTY TAXES, DISTRICT REVENUES AND APPROPRIATIONS – Article XIII A of the State Constitution" herein.

As provided in the text of each of the ballots of Proposition BB, Measure K, Measure R, Measure Y and Measure Q, the District Board does not guarantee that the respective bonds authorized and issued under the Proposition BB, Measure K, Measure R, Measure Y and Measure Q Authorizations will provide sufficient funds to allow completion of all potential projects listed in connection with said measures.

Lease Revenue Financings. The District may finance capital projects through the execution and delivery of certificates of participation or other obligations secured by general fund lease payments from time to time, but it does not presently expect to issue any COPs during fiscal year 2018-19. See “– District Financial Policies – *Debt Management Policy*” herein.

Tax and Revenue Anticipation Notes. The District does not currently intend to issue tax and revenue anticipation notes in fiscal years 2018-19 or 2019-20. The District may issue tax and revenue anticipation notes in future fiscal years as and when necessary to supplement cashflow.

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

Constitutionally Required Funding of Education

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

Article XIII A of the State Constitution

On June 6, 1978, California voters approved Proposition 13 (“Proposition 13”), which added Article XIII A to the State Constitution (“Article XIII A”). On June 3, 1986, California voters approved Proposition 46 (“Proposition 46”) which amended Article XIII A to permit local governments and school districts to increase the *ad valorem* property tax rate above 1% if two-thirds of those voting in a local election approve the issuance of such bonds and the proceeds of such bonds are used to acquire or improve real property. See “SECURITY AND SOURCE OF PAYMENT FOR THE REFUNDING BONDS – California Constitutional and Statutory Provisions Relating to *Ad Valorem* Property Taxes – *Article XIII A of the California Constitution*” in the forepart of this Official Statement.

The provisions of Article XIII A were subsequently modified pursuant to Proposition 39, which was approved by California voters on November 7, 2000. See “– Proposition 39” below. Article XIII A defines full cash value to mean “the county assessor’s valuation of real property as shown on the 1975-76 tax bill under “full cash value,” or thereafter, the appraised value of real property when purchased, newly constructed, or a change in ownership has occurred after the 1975 assessment.” The full cash value may be adjusted annually to reflect inflation at a rate not to exceed 2% per year, or a reduction in the consumer price index or comparable local data at a rate not to exceed 2% per year or reduced in the event of declining property value caused by substantial damage, destruction or other factors including a general economic downturn. Subsequent amendments further limit the amount of any *ad valorem* tax on real property to 1% of the full cash value except that additional taxes may be levied to pay debt service on bonded indebtedness approved by the requisite percentage of voters voting on the proposition.

Legislation Implementing Article XIII A

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

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

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

Article XIII B of the State Constitution

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

spending limit, the district may, in any fiscal year, increase its appropriations limit to equal its spending by borrowing appropriations limit from the State, provided the State has sufficient excess appropriations limit in such year. See “STATE FUNDING OF SCHOOL DISTRICTS” herein.

The District Board adopted the annual appropriation limit for fiscal year 2018-19 of approximately \$3.80 billion. The limitation applies only to proceeds of taxes and therefore does not apply to service fees and charges, investment earnings on non-proceeds of taxes, fines, and revenue from the sale of property and taxes received from the State and federal governments that are tied to special programs. For fiscal year 2017-18, the appropriations subject to limitation totaled approximately \$3.79 billion and were approximately \$11 million below the Article XIII B limit for fiscal year 2018-19.

Article XIII C and Article XIII D of the State Constitution

On November 5, 1996, the voters of the State of California approved Proposition 218, popularly known as the “Right to Vote on Taxes Act.” Proposition 218 added to the California Constitution Articles XIII C and XIII D (respectively, “Article XIII C” and “Article XIII D”), which contain a number of provisions affecting the ability of local agencies, including community college districts, to levy and collect both existing and future taxes, assessments, fees and charges.

According to the “Title and Summary” of Proposition 218 prepared by the California Attorney General, Proposition 218 limits “the authority of local governments to impose taxes and property-related assessments, fees and charges.” Among other things, Article XIII C establishes that every tax is either a “general tax” (imposed for general governmental purposes) or a “special tax” (imposed for specific purposes), prohibits special purpose government agencies such as community college districts from levying general taxes, and prohibits any local agency from imposing, extending or increasing any special tax beyond its maximum authorized rate without a two-thirds percent vote; and also provides that the initiative power will not be limited in matters of reducing or repealing local taxes, assessments, fees and charges. Article XIII C further provides that no tax may be assessed on property other than *ad valorem* property taxes imposed in accordance with Articles XIII and XIII A of the California Constitution and special taxes approved by a two-thirds percent vote under Article XIII A, Section 4.

On November 2, 2010, Proposition 26 was approved by State voters, which amended Article XIII C to expand the definition of “tax” to include “any levy, charge, or exaction of any kind imposed by a local government” except the following: (1) a charge imposed for a specific benefit conferred or privilege granted directly to the payor that is not provided to those not charged, and which does not exceed the reasonable costs to the local government of conferring the benefit or granting the privilege; (2) a charge imposed for a specific government service or product provided directly to the payor that is not provided to those not charged, and which does not exceed the reasonable costs to the local government of providing the service or product; (3) a charge imposed for the reasonable regulatory costs to a local government for issuing licenses and permits, performing investigations, inspections, and audits, enforcing agricultural marketing orders, and the administrative enforcement and adjudication thereof; (4) a charge imposed for entrance to or use of local government property, or the purchase, rental, or lease of local government property; (5) a fine, penalty, or other monetary charge imposed by the judicial branch of government or a local government, as a result of a violation of law; (6) a charge imposed as a condition of property development; and (7) assessments and property-related fees imposed in accordance with the provisions of Article XIII D. Proposition 26 provides that the local government bears the burden of proving by a preponderance of the evidence that a levy, charge, or other exaction is not a tax, that the amount is no more than necessary to cover the reasonable costs of the governmental activity, and that the manner in which those costs are allocated to a payor bear a fair or reasonable relationship to the payor’s burdens on, or benefits received from, the governmental activity.

Article XIII D deals with assessments and property-related fees and charges. Article XIII D explicitly provides that nothing in Article XIII C or XIII D shall be construed to affect existing laws relating to the imposition of fees or charges as a condition of property development; however, it is not clear whether the initiative power is therefore unavailable to repeal or reduce developer and mitigation fees imposed by the District. Proposition 218 does not affect the *ad valorem* property taxes to be levied to pay debt service on the Bonds.

Proposition 98

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

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

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

The 2018-19 State Budget includes a Proposition 98 minimum guarantee for fiscal year 2018-19 of \$78.4 billion, which is an increase in funding of \$2.8 billion from fiscal year 2017-18. For further information concerning the impact of State Budgets on Proposition 98 funding, see “STATE FUNDING OF SCHOOL DISTRICTS – State Budget Act – 2018-19 State Budget” herein.

Proposition 39

Proposition 39, which was approved by California voters in November 2000 (“Proposition 39”), provides an alternative method for passage of school facilities bond measures by lowering the constitutional voting requirement from two-thirds to 55% of voters and allows property taxes to exceed

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

Proposition 1A

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

Proposition 22

Proposition 22, which was approved by California voters in November 2010, prohibits the State, even during a period of severe fiscal hardship, from delaying the distribution of tax revenues for transportation, redevelopment, or local government projects and services and prohibits fuel tax revenues from being loaned for cash-flow or budget balancing purposes to the State general fund or any other State fund. Due to the prohibition with respect to State's ability to take, reallocate, and borrow money raised by local governments for local purposes, Proposition 22 supersedes certain provisions of Proposition 1A of 2004. See "– Proposition 1A" herein. In addition, Proposition 22 generally eliminated the State's authority to temporarily shift property taxes from cities, counties, and special districts to schools, temporarily increased school and community college district's share of property tax revenues, prohibited the State from borrowing or redirecting redevelopment property tax revenues or requiring increased pass-

through payments thereof, and prohibited the State from reallocating vehicle license fee revenues to pay for State-imposed mandates. In addition, Proposition 22 requires a two-thirds vote of each house of the State Legislature and a public hearing process to be conducted in order to change the amount of fuel excise tax revenues shared with cities and counties. The LAO stated that Proposition 22 would prohibit the State from enacting new laws that require redevelopment agencies to shift funds to schools or other agencies. However, the California Supreme Court, in *California Redevelopment Association v. Matosantos*, held that the dissolution provisions set forth in Assembly Bill No. 26 of the First Extraordinary Session (2011) were constitutional and permitted the State to allocate revenues that would have been directed to the redevelopment agencies to make pass-through payments (*i.e.*, payments that such entities would have received under prior law) to local agencies and to successor agencies for retirement of the debts and certain administrative costs of the redevelopment agencies.

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

Proposition 30

Proposition 30, which was approved by voters in the State in November 2012 (“Proposition 30”) authorizes the State to temporarily increase the maximum marginal personal income tax rates for individuals, heads of households and joint filers above 9.3% by creating three additional tax brackets of 10.3%, 11.3% and 12.3%. The tax increases set forth in Proposition 30 are in effect from tax year 2012 to tax year 2018. In addition, Proposition 30 temporarily increased the State’s sales and use tax rate by 0.25% from 2013 to 2016.

Pursuant to Proposition 30, the State will include revenues from the temporary tax increases in the general fund calculation of the Proposition 98 minimum guarantee for education spending. The State will deposit a portion of the new general fund revenues into an Education Protection Account be established to support funding for schools and community colleges. The remainder of the new general fund revenues will be available to help the State balance its budget through fiscal year 2017-18. However, the allocation of such revenues to particular programs is subject to the discretion of the Governor and the State Legislature.

In addition, Proposition 30 amended the State Constitution to address certain provisions relating to the realignment of State program responsibilities to local governments. Proposition 30 requires the State to continue to provide tax revenues that were redirected in calendar year 2011 (or equivalent funds) to local governments to pay for transferred program responsibilities. Further, Proposition 30 permanently excludes sales tax revenues that are redirected to local governments from the calculation of the Proposition 98 minimum guarantee for schools and community colleges.

Pursuant to Proposition 30, the State’s ability to expand program requirements will be limited. Local governments will not be required to implement any future State laws that increase local costs to administer realigned program responsibilities unless the State provides such local governments with additional money to pay for the increased costs. Further, Proposition 30 requires the State to pay part of any new local costs that result from certain court actions and changes in federal statutes or regulations that are related to the realigned program responsibilities. Proposition 30 eliminates potential funding

liability on the part of the State for mandates imposed upon local governments. Previously, the State was required to reimburse local governments when the State imposed new mandates upon them. In addition, Proposition 30 eliminates the State's practice of reimbursing local governments for costs resulting from certain provisions of the Ralph M. Brown Act including, among other things, the requirement to prepare and post agendas for public meetings.

The Proposition 30 sales and use tax increases expired at the end of the 2016 tax year. Under Proposition 30, the personal income tax increases were set to expire at the end of the 2018 tax year. However, the voters approved on November 8, 2016 the California Tax Extension to Fund Education and Healthcare Initiative ("Proposition 55"), which extends by twelve years the temporary personal income tax increases on incomes over \$250,000 that was first enacted by Proposition 30. Revenues from the tax increase will be allocated to school districts and community colleges in the State.

State School Facilities Bonds

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

Proposition 47. The Class Size Reduction Kindergarten – University Public Education Facilities Bond Act of 2002 appeared on the November 5, 2002 ballot as Proposition 47 ("Proposition 47") and was approved by State voters. Proposition 47 authorized the sale and issuance of \$13.05 billion in general obligation bonds by the State to fund construction and renovation of K-12 school facilities (\$11.4 billion) and higher education facilities (\$1.65 billion). Proposition 47 includes \$6.35 billion for acquisition of land and new construction of K-12 school facilities. Of this amount, \$2.9 billion is set aside to fund backlog projects for which school districts submitted applications to the State on or prior to February 1, 2002. The balance of \$3.45 billion would be used to fund projects for which school districts submitted applications to the State after February 1, 2002. To be eligible for bond proceeds under Proposition 47, K-12 school districts are required to pay 50% of the costs for land acquisition and new construction with local revenues. In addition, Proposition 47 provided that up to \$100 million of the \$3.45 billion would be allocated for charter school facilities. Proposition 47 provides up to \$3.3 billion for reconstruction or modernization of existing K-12 school facilities. Of this amount, \$1.9 billion will be set aside to fund backlog projects for which school districts submitted applications to the State on or prior to February 1, 2002 and the balance of \$1.4 billion would be used to fund projects for which school districts submitted applications to the State after February 1, 2002. K-12 school districts will be required to pay 40% of the costs for reconstruction or modernization with local revenues. Proposition 47 provides a total of \$1.7 billion to K-12 school districts which are considered critically overcrowded, specifically to schools that have a large number of pupils relative to the size of the school site. In addition, \$50 million will be available to fund joint-use projects. Proposition 47 also includes \$1.65 billion to construct new buildings and related infrastructure, alter existing buildings and purchase equipment for use in the State's public higher education systems. As of February 1, 2019, the District has approximately \$949.2 million in funds attributable to Proposition 47.

Proposition 55 (2004). The Kindergarten-University Public Education Facilities Bond Act of 2004 appeared on the March 2, 2004 ballot as Proposition 55 ("Proposition 55 (2004)") and was approved by State voters. Proposition 55 (2004) authorizes the sale and issuance of \$12.3 billion in general obligation bonds by the State to fund construction and renovation of public K-12 school facilities (\$10 billion) and public higher education facilities (\$2.3 billion). Proposition 55 (2004) includes \$5.26 billion for the acquisition of land and construction of new school buildings. Under Proposition 55 (2004), a school district is required to provide a 50% matching share for new construction or a 60%

matching share for modernization projects with local resources unless it qualifies for state hardship funding. Proposition 55 (2004) also allocates up to \$300 million of new construction funds for charter school facilities.

Proposition 55 (2004) makes \$2.25 billion available for the reconstruction or modernization of existing public school facilities. School districts would be required to pay 40% of project costs from local resources. Proposition 55 (2004) directs a total of \$2.44 billion to school districts with schools which are considered critically overcrowded. These funds would go to schools that have a large number of pupils relative to the size of the school site. Proposition 55 (2004) also makes a total of \$50 million available to fund joint-use projects. Proposition 55 (2004) includes \$2.3 billion to construct new buildings and related infrastructure, alter existing buildings and purchase equipment for use in these buildings for the State's public higher education systems. The measure allocates \$690 million to the University of California and California State University and \$920 million to community colleges in the State. The Governor and the State Legislature select specific projects to be funded by the bond proceeds. As of February 1, 2019, the District has approximately \$2.3 billion in funds attributable to Proposition 55 (2004).

Proposition 1D. The Kindergarten-University Public Education Facilities Bond Act of 2006 was approved by State voters at the November 7, 2006 ballot as Proposition 1D ("Proposition 1D"). Proposition 1D authorizes the sale and issuance of \$10.4 billion in general obligation bonds by the State to fund construction and renovation of public K-12 school facilities (\$7.3 billion) and public higher education facilities (\$3.1 billion). Proceeds of bonds issued by the State under Proposition 1D are required to be deposited in the 2006 State School Facilities Fund established in the State Treasury under the Greene Act and allocated by the State Allocation Board. Proposition 1D includes \$1.9 billion for land acquisition and construction of new school buildings. Under Proposition 1D, a school district is required to pay for 50% of costs with local resources unless it qualifies for state hardship funding. Proposition 1D also allocates \$500 million for charter school facilities.

Proposition 1D makes \$3.3 billion available for the reconstruction or modernization of existing public school facilities. Districts would be required to pay 40% of project costs from local resources. Proposition 1D directs a total of \$1.0 billion to school districts with schools that are considered critically overcrowded. These funds would go to schools that have a large number of pupils relative to the size of the school site. Proposition 1D also makes a total of \$29 million available to fund joint-use projects. Proposition 1D includes \$3.1 billion to construct new buildings and related infrastructure, alter existing buildings and purchase equipment for use in these buildings for California's public higher education systems. Pursuant to Proposition 1D, the Governor and the State Legislature select specific projects to be funded by the bond proceeds. As of February 1, 2019, the District has approximately \$822.1 million in funds attributable to Proposition 1D.

Proposition 51. The Kindergarten Through Community College Public Education Facilities Bond Act of 2016 was approved by State voters at the November 8, 2016 ballot as Proposition 51 ("Proposition 51"). Proposition 51 authorizes the sale and issuance of \$9 billion in general obligation bonds by the State to fund new construction of school facilities (\$3 billion), school facilities for charter schools (\$500 million), modernization of school facilities (\$3 billion), facilities for career technical education programs (\$500 million), and acquisition, construction, renovation, and equipping of community college facilities (\$2 billion). Proceeds of bonds issued by the State for K-12 under Proposition 51 are required to be deposited in the 2016 State School Facilities Fund established in the State Treasury under the Greene Act and allocated by the State Allocation Board. As of February 1, 2019, the State has provided to the District approximately \$46.2 million in Proposition 51 funds.

Future Initiatives

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

REGIONAL ECONOMIC AND DEMOGRAPHIC INFORMATION

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

Population

The following Table A-26 sets forth the estimates of the population of the City, the County and the State in calendar years 2014 through 2018.

**TABLE A-26
POPULATION ESTIMATES
2014 through 2018**

<u>Year</u> <u>(as of January 1)</u>	<u>City of</u> <u>Los Angeles</u>	<u>County of</u> <u>Los Angeles</u>	<u>State of</u> <u>California</u>
2014	3,914,359	10,054,852	38,357,121
2015	3,957,022	10,136,559	38,714,725
2016	3,999,237	10,182,961	39,189,035
2017	4,021,488	10,231,271	39,500,973
2018	4,054,400	10,283,729	39,809,693

Source: Department of Finance Demographic Research Unit.

Income

The following Table A-27 sets forth the median household income for the City, the County, the State and the United States for calendar years 2013 through 2017.

**TABLE A-27
Median Household Income⁽¹⁾
2013 through 2017**

<u>Year</u>	<u>City of</u> <u>Los Angeles</u>	<u>County of</u> <u>Los Angeles</u>	<u>State of</u> <u>California</u>	<u>United States</u>
2013	48,466	54,529	60,190	52,250
2014	50,544	55,746	61,933	53,657
2015	52,024	59,134	64,500	55,775
2016	54,432	61,338	67,739	57,617
2017	60,197	65,006	71,805	60,336

⁽¹⁾ Estimated. In inflation-adjusted dollars.

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

The following Table A-28 sets forth the distribution of income by certain income groupings per household for the City, the County, the State and the United States for calendar year 2017.

TABLE A-28

**Income Groupings 2017⁽¹⁾
(Percent of Households)**

<u>Income Per Household</u>	<u>City of Los Angeles</u>	<u>County of Los Angeles</u>	<u>State of California</u>	<u>United States</u>
\$24,999 & Under	24.7%	21.2%	18.7%	21.4%
\$25,000-49,999	21.9	20.9	19.7	22.5
\$50,000 & Over	53.5	57.9	61.7	56.2

⁽¹⁾ Estimated. In inflation-adjusted dollars. Data may not add up due to rounding.

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

Employment

The District is within the Los Angeles-Long Beach Primary Metropolitan Statistical Area Labor Market (Los Angeles County). The following Table A-29 sets forth wage and salary employment in the County from calendar years 2013 through 2017.

TABLE A-29

**Labor Force and Employment in the County of Los Angeles⁽¹⁾
2013 through 2017**

	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Civilian Labor Force	4,967,800	5,004,200	5,002,600	5,055,000	5,123,000
Employment	4,483,300	4,591,100	4,671,600	4,789,300	4,882,100
Unemployment	484,400	413,100	331,000	265,600	240,900
Unemployment Rate	9.8%	8.3%	6.6%	5.3%	4.7%
Wage and Salary Employment					
Farm	5,500	5,200	5,000	5,300	5,800
Mining and Logging	3,400	3,100	2,900	2,500	2,200
Construction	114,600	118,500	126,200	133,900	137,700
Manufacturing	375,600	371,100	367,800	360,300	350,100
Trade, Transportation and Utilities	781,900	798,900	816,500	829,000	838,900
Information	197,000	198,800	207,500	229,200	214,500
Financial Activities	213,000	211,200	215,500	219,800	221,100
Professional and Business Services	584,800	591,700	593,800	603,200	613,400
Educational and Health Services	702,100	720,700	741,100	767,600	794,300
Leisure and Hospitality	438,900	464,100	486,600	510,000	523,900
Other Services	145,700	150,500	151,000	153,300	154,100
Government	<u>551,200</u>	<u>556,200</u>	<u>568,500</u>	<u>576,700</u>	<u>585,500</u>
Total ⁽¹⁾	<u>4,113,700</u>	<u>4,190,000</u>	<u>4,282,400</u>	<u>4,390,800</u>	<u>4,441,500</u>

⁽¹⁾ Totals may not equal sum of component parts due to rounding. All information updated per March 2017 Benchmark.

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

The following Table A-30 sets forth taxable sales in the County for the calendar years 2012 through 2016.

TABLE A-30
County of Los Angeles
Taxable Transactions⁽¹⁾
2012 through 2016
(\$ in thousands)

<u>Type of Business</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Motor Vehicle and Parts Dealers	\$ 14,479,392	\$ 15,543,657	\$ 16,564,553	\$ 18,058,173	\$ 18,502,763
Home Furnishings and Appliance Stores ⁽²⁾	6,012,590	6,144,938	6,775,271	7,832,717	7,842,401
Building Materials and Garden Equipment and Supplies Dealers	6,510,966	6,558,312	6,971,149	7,402,869	7,688,704
Food and Beverage Stores	5,824,815	6,051,754	6,279,795	6,689,582	6,696,653
Health and Personal Care Stores ⁽³⁾	3,163,312	3,306,274	3,414,941	N/A	N/A
Gasoline Stations	14,037,507	13,817,056	13,265,979	11,468,929	10,137,302
Clothing and Clothing Accessories Stores	9,166,549	9,926,558	10,560,952	10,974,322	11,413,847
Sporting Goods, Hobby, Book & Music Stores ⁽³⁾	2,454,806	2,487,061	2,460,392	N/A	N/A
General Merchandise Stores	11,157,997	11,463,750	11,557,051	10,912,560	10,904,814
Miscellaneous Store Retailers ⁽³⁾	4,798,211	4,953,245	5,204,656	N/A	N/A
Nonstore Retailers ⁽³⁾	1,200,322	1,906,573	2,170,084	N/A	N/A
Food Services and Drinking Places	16,512,136	17,481,996	18,964,996	20,605,855	22,002,191
Other Retail Group ⁽⁴⁾	N/A	N/A	N/A	14,202,014	14,808,367
Total Retail and Food Services	<u>\$ 95,318,603</u>	<u>\$ 99,641,174</u>	<u>\$104,189,819</u>	<u>\$108,147,021</u>	<u>\$109,997,043</u>
All Other Outlets	<u>\$ 39,976,979</u>	<u>\$ 40,438,534</u>	<u>\$ 43,257,109</u>	<u>\$ 42,886,760</u>	<u>\$ 44,211,290</u>
TOTAL ALL OUTLETS	<u>\$135,295,582</u>	<u>\$140,079,708</u>	<u>\$147,446,927</u>	<u>\$151,033,781</u>	<u>\$154,208,333</u>

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

⁽²⁾ In 2015, the taxable transactions for the type of business for Furniture and Home Furnishings Stores and Electronics and Appliance Stores were combined.

⁽³⁾ In 2015, the taxable transactions for the type of business for Health and Personal Care Stores, Sporting Goods, Hobby, Book & Music Stores, Miscellaneous Store Retailers and Nonstore Retailers were eliminated.

⁽⁴⁾ In 2015, the taxable transactions for the type of business for Other Retail Group was included.

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

Leading County Employers

The economic base of the County is diverse with no one sector being dominant. Some of the leading activities include government (including education), business/professional management services (including engineering), health services (including training and research), tourism, distribution, and entertainment. The following Table A-31 sets forth the major employers in the County for fiscal year 2017-18.

TABLE A-31

**County of Los Angeles
Major Employers⁽¹⁾
2018**

<u>Employer</u>	<u>Product/Service</u>	<u>Employees</u>
Los Angeles County	Government	109,881
Los Angeles Unified School District	Education	60,240
University of California, Los Angeles	Education	48,570
U.S. Government – Federal Executive Board	Government	47,200
Kaiser Permanente	Non-profit health plan	37,468
City of Los Angeles	Government	33,375
State of California	Government	30,000
University of Southern California	Private university	21,055
Northrop Grumman Corp.	Defense contractor	16,600
Providence Health & Services Southern California	Health care	15,951
Target Corp.	Retailer	15,000
Ralphs/Food 4 Less (Kroger Co. division)	Retail grocer	14,970
Walt Disney Co.	Entertainment	13,000
Allied Universal	Security	12,879
NBC Universal	Entertainment	12,000
AT&T Inc.	Telecommunications	11,500
Home Depot	Home improvement specialty retailer	11,200
Albertsons/Vons/Pavillions	Retail grocer	10,200
Los Angeles County Metropolitan Transp. Auth.	Transportation	9,907
UPS	Transportation and freight	9,553
Los Angeles Department of Water & Power	Energy	9,425
California Institute of Technology	Private university; operator of Jet Propulsion Laboratory	8,697
Wells Fargo & Co.	Diversified financial services	8,582
ABM Industries Inc.	Facility services, energy solutions, commercial cleaning	8,000
FedEx Corp.	Shipping and logistics	7,000
Los Angeles Community College District	Education	6,893
Long Beach Unified School District	Education	6,686
Bank of America Corp.	Banking and financial services	6,572
Dignity Health	Health care	6,200
Space Exploration Technologies Corp. (SpaceX)	Rockets and spacecraft	6,000
City of Hope	Treatment and research center for cancer and other diseases	5,950
Raytheon Co.	Aerospace and defense	5,800
Children’s Hospital Los Angeles	Hospital	5,735
Costco Wholesale	Membership chain of warehouse stores	5,445
SoCalGas	Natural gas utility	5,400
City of Long Beach	Government	5,318
Paramount Pictures	Entertainment	5,000
Torrance Memorial Medical Center	Medical center	5,000
JPMorgan Chase & Co.	Banking and financial services	5,000
Boeing Co.	Aerospace and defense	5,000

⁽¹⁾ The information on this list was provided by representatives of the employers themselves. Companies are ranked by the current number of full-time employees in Los Angeles County. Several additional companies may have qualified for this list, but failed to submit information or do not break out local employment data.
Source: “2018 Book of Lists,” Los Angeles Business Journal, August 27, 2018.

Construction

The following Table A-32 sets forth the valuation of permits for new residential buildings and the number of new single-family and multi-family dwelling units in the City for the years 2013 through 2018.

TABLE A-32

**City of Los Angeles
Permit Valuations and Units of Construction⁽¹⁾
2013 to 2018
(\$ in thousands)**

Year	New Residential Valuation	New Single Family Dwelling Units	New Multi-Family Dwelling Units	Total New Units
2013	\$2,487,445	1,061	9,427	10,488
2014	2,822,201	1,602	10,068	11,670
2015	3,650,499	1,839	13,806	15,645
2016	3,733,909	1,857	11,468	13,325
2017	4,351,195	2,476	11,971	14,447
2018	4,655,644	2,792	13,915	16,707

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

Source: California Homebuilding Foundation | Construction Industry Research Board.

The following Table A-33 sets forth the lending activity, home prices and sales, recorded notices of default, unsold new housing and vacancy rates of properties within the County from 2013 through 2018.

TABLE A-33
County of Los Angeles
Real Estate and Construction Indicators
2013 to 2017

Indicator	2013	2014	2015	2016	2017	2018
Construction Lending ⁽¹⁾	\$6,379	\$8,750	\$9,711	\$11,979	\$13,619	\$20,419
Residential Purchase Lending ⁽¹⁾	\$27,910	\$31,441	\$48,832	\$53,362	\$53,764	\$48,170
New & Existing Median Home Prices	\$412,795	\$458,677	\$490,083	\$521,558	\$561,335	\$598,368
New & Existing Home Sales	84,229	76,348	81,188	81,061	82,318	75,092
Notices of Default Recorded	20,970	17,883	17,422	13,802	11,402	9,726
Unsold New Housing (at year-end)	561	552	620	1,217	1,186 ⁽²⁾	-- ⁽²⁾
Office Market Vacancy Rates ⁽³⁾	16.9%	15.7%	15.0%	14.3%	14.6%	14.6%
Industrial Market Vacancy Rates ⁽³⁾	2.0%	1.8%	1.0%	0.9%	1.0%	1.3%

⁽¹⁾ Dollars in millions.

⁽²⁾ Data only available as of the end of First Quarter 2017.

⁽³⁾ Average of quarterly data.

Source: Real Estate Research Council of Southern California – Fourth Quarter 2018

The following Table A-34 sets forth information with respect to building permits and building valuations in the County from 2013 through 2018.

TABLE A-34

**County of Los Angeles
Building Permits and Valuations
2013 to 2018**

	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Residential Building Permits (Units)						
New Residential Permits						
Single Family	3,599	4,286	4,487	4,654	5,456	6,035
Multi-Family	<u>12,631</u>	<u>14,595</u>	<u>18,405</u>	<u>15,685</u>	<u>17,023</u>	<u>17,265</u>
Total Residential Building Permits	<u>16,230</u>	<u>18,881</u>	<u>22,892</u>	<u>20,339</u>	<u>22,479</u>	<u>23,300</u>
Building Valuations(\$ in millions)						
Residential Building Valuations						
Single Family	\$1,507	\$1,740	\$1,898	\$2,127	\$2,353	\$2,261
Multi-Family	1,921	2,310	2,844	2,815	3,258	3,269
Alterations and Additions	<u>1,193</u>	<u>1,429</u>	<u>1,641</u>	<u>1,602</u>	<u>1,758</u>	<u>1,928</u>
Residential Building Valuations Subtotal	<u>\$4,621</u>	<u>\$5,479</u>	<u>\$6,383</u>	<u>\$6,544</u>	<u>\$7,368</u>	<u>\$7,458</u>
Non-Residential Building Valuations						
New Industrial Buildings	-	-	-	-	\$135	\$101
Office Buildings	\$246	\$269	\$349	\$377	496	506
Store & Other Mercantile	385	829	545	547	791	819
Hotels and Motels	145	359	368	314	84	203
Industrial Buildings	128	122	86	139	135	101
Alterations and Additions	2,012	3,155	2,705	2,853	3,143	2,783
Amusement and Recreation	-	-	124	30	195	853
Parking Garages	-	-	555	263	239	320
Service Stations and Repair Garages	-	-	18	13	6	2
Other	<u>669</u>	<u>1,507</u>	<u>894</u>	<u>723</u>	<u>948</u>	<u>1,098</u>
Non-Residential Building Valuations	<u>\$3,585</u>	<u>\$ 6,241</u>	<u>\$ 5,644</u>	<u>\$ 5,259</u>	<u>\$6,038</u>	<u>\$6,684</u>
Subtotal						
Total Building Valuations	<u>\$8,207</u>	<u>\$11,721</u>	<u>\$12,028</u>	<u>\$11,804</u>	<u>\$13,406</u>	<u>\$14,143</u>

Sources: Real Estate Research Council of Southern California (2013 – 2014) | California Homebuilding Foundation (2015-2016) | Construction Industry Research Board (2017-2018).

GLOSSARY OF CERTAIN TERMS AND ABBREVIATIONS

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

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

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

“CAFR” means comprehensive annual financial report.

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

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

“CCSA” means the California Charter Schools Association.

“CDE” means the California Department of Education.

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

“Common Core” means Common Core State Standards.

“COPS” means certificates of participation.

“EL” means English learners, a classification for students.

“FRPM” means free or reduced-price meal.

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

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

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

“LCAP” means the Local Control and Accountability Plan.

“LCFF” means the Local Control Funding Formula.

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

“LI” means students classified as foster youth.

“MPP” means minimum proportionality percentage.

“OCIP” means owner controlled insurance program.

“OPEB” means Other Post-Employment Benefits.

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

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

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

“PERB” means the Public Employee Relations Board.

“PLL” means pollution legal liability.

“UAAL” means unfunded actuarial accrued liability.

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

[THIS PAGE INTENTIONALLY LEFT BLANK]

APPENDIX B

**AUDITED ANNUAL FINANCIAL REPORT OF THE DISTRICT FOR FISCAL YEAR
ENDED JUNE 30, 2018**

[THIS PAGE INTENTIONALLY LEFT BLANK]

LOS ANGELES UNIFIED SCHOOL DISTRICT



Audited Annual

FINANCIAL REPORT

For Fiscal Year Ended June 30, 2018



2017-2018
Los Angeles, CA

[THIS PAGE INTENTIONALLY LEFT BLANK]

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

**AUDITED ANNUAL
FINANCIAL REPORT
FISCAL YEAR ENDED JUNE 30, 2018**

MR. AUSTIN BEUTNER
SUPERINTENDENT OF SCHOOLS
(EFFECTIVE MAY 15, 2018)

MS. VIVIAN EKCHIAN
INTERIM SUPERINTENDENT OF SCHOOLS
(JANUARY 16, 2018 – MAY 14, 2018)

MS. MICHELLE KING, ED.D.
SUPERINTENDENT OF SCHOOLS
(JANUARY 12, 2016 – JUNE 30, 2018)

MR. SCOTT S. PRICE, PH.D.
CHIEF FINANCIAL OFFICER

MR. V. LUIS BUENDIA
CONTROLLER



**PREPARED BY
ACCOUNTING AND DISBURSEMENTS DIVISION**

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

[THIS PAGE INTENTIONALLY LEFT BLANK]

LOS ANGELES UNIFIED SCHOOL DISTRICT
 Audited Annual Financial Report
 Year Ended June 30, 2018

Table of Contents

INTRODUCTORY SECTION	Page
Letter of Transmittal	i
Board of Education and Principal School District Officials	vi
Organizational Structure	vii
 FINANCIAL SECTION	
Independent Auditor's Report	1
Management's Discussion and Analysis	4
 Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Position	14
Statement of Activities	15
 Fund Financial Statements:	
Balance Sheet – Governmental Funds	16
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	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 Position – Proprietary Funds – Governmental Activities – Internal Service Funds	21
Statement of Revenues, Expenses, and Changes in Fund Net Position – Proprietary Funds – Governmental Activities – Internal Service Funds	22
Statement of Cash Flows – Proprietary Funds – Governmental Activities – Internal Service Funds	23
Statement of Net Position – Fiduciary Funds	24
Statement of Changes in Net Position – Fiduciary Funds	25
 Notes to Basic Financial Statements	26
 REQUIRED SUPPLEMENTARY INFORMATION	
Schedule of Changes in the Net OPEB Liability and Related Ratios	77
Schedule of Changes in the Net Pension Liability and Related Ratios – Agent Multiple-Employer Defined Benefit Pension Plan – California Public Employees' Retirement System (Safety Plan)	78
Schedule of Contributions – Agent Multiple-Employer Defined Benefit Pension Plan – California Public Employees' Retirement System (Safety Plan)	79
Schedule of District Proportionate Share of the Net Pension Liability and Related Ratios and District Contributions – California Public Employees' Retirement System (Miscellaneous Plan)	80
Schedule of District Proportionate Share of the Net Pension Liability and Related Ratios and District Contributions – California State Teachers' Retirement System.....	81

LOS ANGELES UNIFIED SCHOOL DISTRICT
 Audited Annual Financial Report
 Year Ended June 30, 2018

Table of Contents

Combining and Individual Fund Schedules and Statements:	Page
District Bonds Fund – Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual.....	82
Bond Interest and Redemption Fund – Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual.....	83
 Nonmajor Governmental Funds:	
Special Revenue Funds/Debt Service Funds/Capital Projects Funds:	
Nonmajor Governmental Funds – Combining Balance Sheet	86
Nonmajor Governmental Funds – Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	90
Special Revenue Funds – Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual	94
Debt Service Funds – Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual	98
Capital Projects Funds – Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual	100
 Internal Service Funds:	
Internal Service Funds – Combining Statement of Net Position	107
Internal Service Funds – Combining Statement of Revenues, Expenses, and Changes in Fund Net Position	108
Internal Service Funds – Combining Statement of Cash Flows	109
 Fiduciary Funds:	
Fiduciary Funds – Agency Funds – Combining Statement of Changes in Assets and Liabilities	111
 SUPPLEMENTARY INFORMATION	
Assessed Value of Taxable Property – Last Ten Fiscal Years	113
Largest Local Secured Taxpayers – Current Year and Nine Years Ago.....	114
Property Tax Levies and Collections – Last Ten Fiscal Years	115
Average Daily Attendance/Hours of Attendance – Annual Report – Last Ten Fiscal Years	116
Organization Structure	119
Schedule of Average Daily Attendance/Hours of Attendance	120
Schedule of Average Daily Attendance – Affiliated Charter Schools	122
Schedule of Instructional Time Offered	126
Schedule of Financial Trends and Analysis	127
Schedule to Reconcile the Annual Financial Budget Report (SACS) with Audited Financial Statements	128
Schedule of Charter Schools	129
Notes to Supplementary Information	134
Schedule of Expenditures of Federal Awards	135
Notes to Schedule of Expenditures of Federal Awards	138

LOS ANGELES UNIFIED SCHOOL DISTRICT
Audited Annual Financial Report
Year Ended June 30, 2018

Table of Contents

OTHER INDEPENDENT AUDITOR REPORTS

Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	139
Report on Compliance for Each Major Federal Program and on Internal Control over Compliance	141
Independent Auditor's Report on State Compliance	144
Schedule of Findings and Questioned Costs	148
Status of Prior Year Findings and Recommendations	188
Independent Auditor's Management Letter	197



INTRODUCTORY SECTION

[THIS PAGE INTENTIONALLY LEFT BLANK]

MÓNICA GARCÍA
KELLY GONEZ
DR. GEORGE J. MCKENNA III
NICK MELVOIN
SCOTT M. SCHMERELSON
DR. RICHARD A. VLADOVIC



AUSTIN BEUTNER
Superintendent of Schools

SCOTT S. PRICE, Ph.D.
Chief Financial Officer

V. LUIS BUENDIA
Controller

December 14, 2018

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

Dear Board Members:

The Audited Annual Financial Report of the Los Angeles Unified School District (District), for the fiscal year ended June 30, 2018, 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 2017-18 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-term 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's boundaries include most of the City of Los Angeles, all of the Cities of Cudahy, Gardena, Huntington Park, Lomita, Maywood, San Fernando, Vernon and West Hollywood, and portions of the Cities of Bell, Bell Gardens, Beverly Hills, Calabasas, Carson, Commerce, Culver City, Hawthorne, Inglewood, Long Beach, Lynwood, Montebello, Monterey Park, Rancho Palos Verdes, Santa Clarita, South Gate and Torrance. 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, 2018, the District operated 448 elementary schools, 82 middle/junior high schools, 94 senior high schools, 54 options schools, 25 multi-level schools, 14 special education schools, 49 magnet schools and 177 magnet centers, 2 community adult schools, 6 regional occupational centers, 3 skills center, 86 early education centers, 4 infant centers, and 19 primary school centers. The District is governed by a seven-member Board of Education elected by voters within the District to serve alternating five-year terms. These terms were extended to five years for members elected in 2015 and thereafter. As of June 30, 2018, the District employed 36,550 certificated, 27,182 classified, and 16,702 unclassified employees. Enrollment as of September 2017 was 500,782 students in K-12 schools, 31,320 students in adult schools and centers, and 12,014 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

The 2018 UCLA Anderson third quarter economic report sees the U.S. economy as continuing to grow but at a slower pace. Growth in real gross domestic product (GDP) is anticipated to dip from a 3% in 2018 to 2% in 2019 and to a near recession level at 1% in 2020. The report also indicated that there are global and trading risks that could potentially alter the economic outlook. Trade war with one or more of the major U.S. trading partners is seen as the biggest risk facing the economy.

For California, the economic report projects a weakening economy in 2020 consistent with the slowing of the national economy. The forecast for employment growth is 1.7% in 2018, 1.8% in 2019, and 0.8% in 2020. Real personal income growth is estimated to be 2.5% in 2018, 3.6% in 2019, and 2.9% in 2020. Unemployment for California is anticipated to remain higher than the U.S. and is projected at 4.2% in 2020. Below is a table to show the monthly unemployment rates in 2018 for the nation, California, and two other larger economies, the states of Texas and New York.

Month	U.S.	California	Texas	New York
January	4.1%	4.4%	4.0%	4.7%
February	4.1%	4.3%	4.0%	4.6%
March	4.1%	4.3%	4.0%	4.6%
April	3.9%	4.2%	4.1%	4.6%
May	3.8%	4.2%	4.1%	4.5%
June	4.0%	4.2%	4.0%	4.5%
July	3.9%	4.2%	4.0%	4.3%
August	3.9%	4.2%	3.9%	4.2%
September	3.7%	4.1%	3.8%	4.1%
October	3.7%	4.1% (P)	3.7% (P)	4.0% (P)

P – Preliminary estimate

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

Governor Jerry Brown signed the 2018-19 State Budget last June 27, 2018 with \$138.7 billion budget in the General Fund and a \$78.4 billion investment in Proposition 98. The major new Proposition 98 spending for K-12 education are the allocation of \$3.7 billion to fully fund the Local Control Funding Formula (LCFF) and the apportionment of \$1.1 billion K-12 discretionary funding for outstanding mandate claims. Also, the 2018-19 budget package provides for a supplemental payment of \$2.6 billion to the Budget Stabilization Account (BSA). The State has aggressively filled the Budget Stabilization Account, the state's constitutional rainy day fund in preparation for the unavailability of the next recession. The fund will have a balance of \$13.8 billion in 2018-19 and reaches its maximum level which is at 10% of the General Fund revenues. According to the School Services of California's (SSC) summary of the UCLA economic forecast, included in the report are two California recession scenarios developed to estimate the impact on the state General Fund revenue. Significant revenue losses are estimated under both scenarios and are expected to affect two fiscal years. Two-year revenue loss is projected at \$36 billion under a "garden variety" recession and \$31 billion under a mild recession scenario. These revenue losses are more than twice as much when compared to the state's rainy day fund.

The Legislative Analyst Office's (LAO) Fiscal Outlook for the 2019-20 Budget report also discusses two economic scenarios. A growth scenario provides a revenue growth from \$137.5 billion in 2018-19 to \$159.3 billion in 2022-23 representing average annual growth of 3.8% over the period. A recession scenario, which assumes recession to begin in the third quarter of calendar year 2020, provides a revenue growth from \$137.5 billion in 2018-19 to \$142.7 billion in 2022-23 representing average annual growth of 0.9% over the period. When comparing these two scenarios, revenue loss over the outlook period is approximately at \$46 billion. With a positive economic outlook for 2019-20, LAO's estimate of revenue and expenditure projects additional \$14.8 billion in resources available to allocate in the 2019-20 budget process with the Proposition 98 minimum guarantee estimated to increase by \$2.4 billion and the state's constitutional reserve would reach \$14.5 billion by end of 2019-20. However, LAO notes that the outlook assumes no changes in current law and policies and cautions on the volatility of the economy as the biggest risk the course of which could alter the state's budget condition.

Superintendent's Strategic Plan

The Strategic Plan represents L.A. Unified's commitment to 100% graduation. This will be achieved through excellence, high expectations and continuous learning. The plan also outlines fundamental strategy, the essential elements of effective learning environments, objectives and key initiatives. The plan is intended to cultivate common understanding and coherence, and to empower all stakeholders to take action toward creating a district of graduates. It provides the prioritized framework from which L.A. Unified will work.

In its relentless pursuit to educate, graduate and inspire its diverse student population, L.A. Unified must make certain that it has access to the highest caliber staff and services available. It must also guarantee that families are actively and meaningfully involved. Each and every person plays an important role in meeting the academic, social-emotional and physical needs of L.A. Unified students.

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 utilizes a single-adoption budget schedule that requires Final Budget adoption by the State-mandated July 1 deadline. The District is allowed to modify its adopted budget within 45 days of the passage of the State budget.

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

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

Financial Results

In 2017-18, the Statement of Changes in Net Position shows that the District's Net Position decreased by \$0.37 billion during the year. The Unrestricted Net Position, which is negative, declined from -\$19.26 billion as restated to -\$19.56 billion. The negative Unrestricted Net Position is largely the result of net other postemployment (OPEB) liability and net pension liability for various retirement plans. The recorded OPEB liability of \$14.97 billion as of June 30, 2018 takes into consideration the adoption of Government Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*, where the District is now required to recognize in full its total net OPEB liability rather than on an incremental basis (see details in Note 1q in the Notes to Basic Financial Statements). Despite the District's pre-funding of its OPEB liability through an irrevocable trust, the contribution made to the Trust is not enough to fully fund the existing or increase in the OPEB liability. The net pension liability also continues to increase as the District's proportionate share of the unfunded liability rises.

In 2017-18, the fund balance of the General Fund increased by \$0.24 billion from \$1.77 billion to \$2.01 billion. This slight increase was due to overall savings from the operating expenditures.

Audit Results

The District received an Unmodified financial audit. An unmodified or "clean" opinion is issued when the auditor is able to state that the financial statements are fairly presented in all material respects in conformity with generally accepted accounting principles (GAAP). For the federal compliance audit, all 12 programs audited received an Unmodified audit. The District also received an Unmodified state compliance audit.

There were 12 audit findings in 2017-18 as compared to 15 in 2016-17. The amount of questioned costs decreased from \$261,987 to \$63,132. The District will continue to work with schools and offices to focus on resolving these areas of internal control and compliance issues.

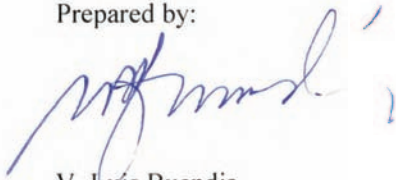
Acknowledgments

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

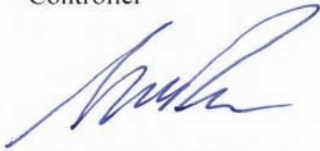
Respectfully submitted,

Austin Beutner
Superintendent of Schools

Prepared by:



V. Luis Buendia
Controller



Scott S. Price, Ph.D.
Chief Financial Officer

BOARD OF EDUCATION

Mónica García, President
Board District 2

Dr. George J. McKenna III
Board District 1

Vacant
Board District 5

Scott Schmerelson
Board District 3

Kelly Gonez
Board District 6

Nick Melvoin
Board District 4

Dr. Richard A. Vladovic
Board District 7

PRINCIPAL SCHOOL DISTRICT OFFICIALS

Austin Beutner
Superintendent of Schools
(Effective May 15, 2018)

Vivian Ekchian
Interim Superintendent of Schools
(January 16, 2018 – May 14, 2018)

Dr. Michelle King
Superintendent of Schools
(January 12, 2016 – June 30, 2018)

Dr. Scott S. Price
Chief Financial Officer

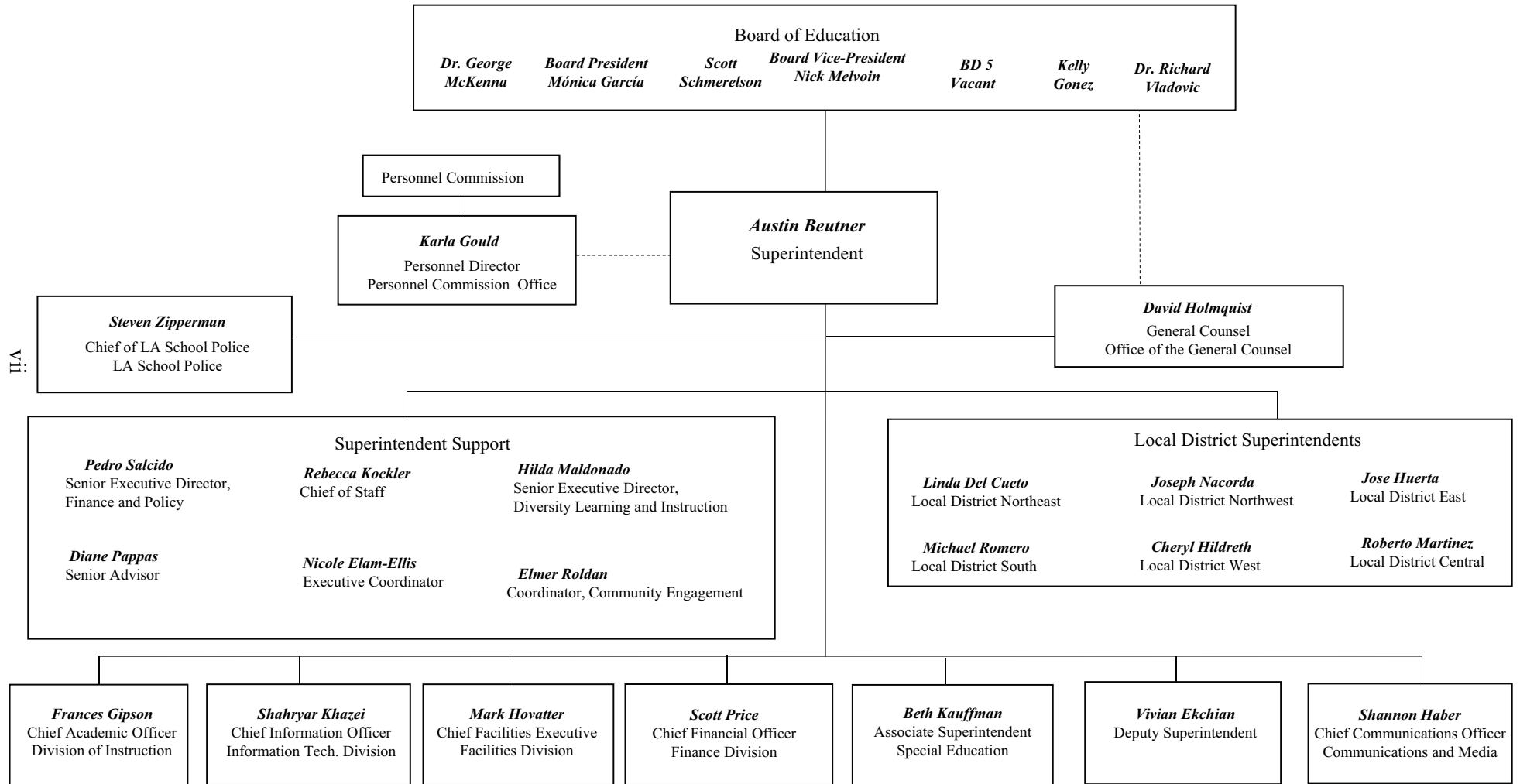
V. Luis Buendia
Controller

LOCAL DISTRICT OFFICIALS

	Local District Superintendent	Administrator of Instruction	Administrator of Operations	Administrator of Parent & Community Engagement	Administrator of Special Education
Northeast:	Linda Del Cueto	Veronica Arreguin	Andres E. Chait	Patrizia Puccio	Alesha Haase
Northwest:	Joseph Nacorda	vacant	Debra Bryant	Gonsalo Garay	Cindy Welden
South:	Michael Romero	Pedro Garcia	Peter Hastings	Theresa Arreguin	Jennifer McConn (Interim)
East:	Jose Huerta	Frances Baez	Miguel Saenz (Interim)	Jose Avila	Janet Montoya
West:	Cheryl P. Hildreth	Dr. Darnise Williams	Ra'Daniel McCoy	Traci Calhoun	Bette Medina
Central:	Roberto Martinez	Natividad Rozsa	Eugene Hernandez	Patricia Castro	Christina Cisneros



LOS ANGELES UNIFIED SCHOOL DISTRICT Organization Chart 2018-2019





**FINANCIAL
SECTION**

[THIS PAGE INTENTIONALLY LEFT BLANK]



U.S. BANK TOWER
633 WEST 5TH STREET, SUITE 3320
LOS ANGELES, CA 90071
(213) 736-6664 TELEPHONE
(213) 736-6692 FAX
www.simpsonandsimpsoncpas.com

SIMPSON & SIMPSON
CERTIFIED PUBLIC ACCOUNTANTS

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

Independent Auditor's Report

To The Honorable Board of Education
Los Angeles Unified School District

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the **Los Angeles Unified School District** (the District) as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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



Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Los Angeles Unified School District as of June 30, 2018, and the respective changes in financial position, and where applicable, cash flows thereof and the respective budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 13 and the required supplementary information on pages 77-81 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The introductory section, the supplementary information, and the state and federal compliance information section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements

The supplementary information on pages 82 to 111, 120 to 128, and 134, and the schedule of expenditures of federal awards and related notes on pages 135-138, are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory section and the supplementary information on pages 113 to 119 and 129 to 133 have not been subjected to the auditing procedures applied in the audit of the basic financial statements and accordingly, we do not express an opinion or provide any assurance on them.



Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 14, 2018, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

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

Los Angeles, California
December 14, 2018

LOS ANGELES UNIFIED SCHOOL DISTRICT

Management's Discussion and Analysis

June 30, 2018

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, 2018.

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 liabilities plus deferred inflows of resources of the District exceeded its assets plus deferred outflows of resources at the close of the most recent fiscal year by \$13.87 billion (net position). This amount includes \$19.56 billion deficit in unrestricted net position resulting primarily from the net pension liability for various retirement plans totaling \$6.97 billion and the recognition of the net other postemployment benefits (OPEB) liability totaling \$14.97 billion as a result of the adoption of Government Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*.
- The District's total net position decreased by \$0.37 billion from prior year primarily due to increase in the net OPEB liability and the net pension liability.
- The District's total long-term obligations increased by \$0.54 billion (1.60%) during the current fiscal year. The increase resulted primarily from additional bond issuance.
- As of the close of the 2018 fiscal year, the District's governmental funds reported combined ending fund balances of \$5.08 billion, an increase of \$1.02 billion from the fiscal year ended June 30, 2017.
- At the end of the current fiscal year, assigned and unassigned fund balances for the General Fund, including reserve for economic uncertainties, was \$1.85 billion, or 26.36% of total General Fund expenditures.

Overview of the Basic Financial Statements

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

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

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

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

LOS ANGELES UNIFIED SCHOOL DISTRICT

Management's Discussion and Analysis

June 30, 2018

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

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

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

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

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

The District maintains 20 individual governmental funds. In the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures and changes in fund balances, separate columns are presented for General Fund, District Bonds Fund, Bond Interest and Redemption Fund, and all other funds. Individual account data for all other nonmajor governmental funds are provided in the form of *combining statements* elsewhere in this report.

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

The governmental fund financial statements can be found on pages 16 and 18 of this report.

Proprietary funds. The District maintains Internal Service Funds as the only type of proprietary fund. Internal service funds are an accounting device used to accumulate and allocate costs internally among the District's various functions. The District uses internal service funds to account for Health and Welfare Benefits, Workers' Compensation Self-Insurance, and Liability Self-Insurance. Because all of these services benefit governmental functions, they have been included within governmental activities in the government-wide financial statements.

It is the District's practice to record estimated claim liabilities at the present value of the claims, in conformity with the accrual basis of accounting, for all its internal service funds.

The proprietary fund financial statements can be found on pages 21-23 of this report.

LOS ANGELES UNIFIED SCHOOL DISTRICT

Management's Discussion and Analysis

June 30, 2018

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

The fiduciary fund financial statements can be found on pages 24-25 of this report.

Notes to basic financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 26-75 of this report.

Combining and individual fund schedules and statements. Combining schedules and statements consisting of the budget to actual comparisons for District Bonds Fund, Bond Interest and Redemption Fund, the individual accounts within the nonmajor governmental funds, the internal service funds and the fiduciary funds are presented immediately following the required supplementary information. Combining and individual fund schedules and statements can be found on pages 82-111 of this report.

Government-wide Financial Analysis

As noted earlier, net position over time may serve as a useful indicator of a government's financial position. In the case of the District, liabilities plus deferred inflows of resources exceeded assets plus deferred outflows of resources by \$13.87 billion at the close of the most recent year.

The District's net position reflects its investments in capital assets (\$4.35 billion) (e.g., land, buildings, and equipment), less any related debt used to acquire those assets that are still outstanding. The District uses these capital assets to provide services to students; consequently, these assets are not available for future spending. Although the District's investments in its capital assets are reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The District's restricted net position (\$1.34 billion) represents resources that are subject to external restrictions on how they may be used. The majority of this pertains to capital projects funds, primarily the County School Facilities Bonds fund. The remaining negative balance in unrestricted net position (-\$19.56 billion) resulted primarily from the recognition of \$14.97 billion of net OPEB liability as a result of the adoption of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, and \$6.97 billion of net pension liability.

At the end of the 2018 fiscal year, the District is able to report positive balances in all categories of net position except for unrestricted net position.

The \$0.05 billion increase in net capital assets primarily relates to costs incurred for school construction and modernization projects throughout the District which is higher compared to the recognition of depreciation expense.

Long-term liabilities increased by \$0.54 billion primarily due to additional bond issuance.

LOS ANGELES UNIFIED SCHOOL DISTRICT

Management's Discussion and Analysis

June 30, 2018

Summary Statements of Net Position (in thousands)

As of June 30, 2018 and 2017:

	Governmental Activities	
	2018	2017
		(As Restated)
Current Assets	\$ 7,026,809	\$ 5,909,524
Capital Assets, net	14,385,240	14,339,938
Total Assets	<u>21,412,049</u>	<u>20,249,462</u>
Deferred Outflows of Resources	3,362,207	2,002,875
Current Liabilities	1,058,131	958,570
Long-term Liabilities	34,273,411	33,735,126
Total Liabilities	<u>35,331,542</u>	<u>34,693,696</u>
Deferred Inflows of Resources	<u>3,311,115</u>	<u>1,061,445</u>
Net Position:		
Net investment in capital assets	4,349,896	4,981,898
Restricted for:		
Debt service	708,857	78,108
Program activities	629,085	697,845
Unrestricted	<u>(19,556,239)</u>	<u>(19,260,655)</u>
Total Net Position	<u>\$ (13,868,401)</u>	<u>\$ (13,502,804)</u>

LOS ANGELES UNIFIED SCHOOL DISTRICT

Management's Discussion and Analysis

June 30, 2018

Summary Statements of Changes in Net Position (in thousands)

Year ended June 30, 2018 and 2017:

	<u>Governmental Activities</u>	
	<u>2018</u>	<u>2017</u>
		<u>(Restated)</u>
Revenues:		
Program Revenues:		
Charges for services	\$ 185,195	\$ 234,292
Operating grants and contributions	1,854,599	1,984,822
Capital grants and contributions	123,916	72,315
Total Program Revenues	<u>2,163,710</u>	<u>2,291,429</u>
General Revenues:		
Property taxes levied for general purposes	1,532,320	1,446,985
Property taxes levied for debt service	813,562	800,528
Property taxes levied for community redevelopment	31,330	27,636
State aid not restricted to specific purpose	3,911,190	4,000,563
Grants, entitlements, and contributions not restricted to specific programs	213,169	253,254
Unrestricted investment earnings	35,318	23,580
Miscellaneous	138,658	45,494
Total General Revenues	<u>6,675,547</u>	<u>6,598,040</u>
Total Revenues	<u>8,839,257</u>	<u>8,889,469</u>
Expenses:		
Instruction	4,579,527	9,727,909
Support Services:		
Support services – students	461,769	992,595
Support services – instructional staff	584,654	1,135,487
Support services – general administration	69,037	95,833
Support services – school administration	512,127	1,119,531
Support services – business	226,862	520,028
Operation and maintenance of plant services	780,229	1,504,917
Student transportation services	186,567	335,536
Data processing services	59,161	66,283
Operation of noninstructional services	528,292	972,723
Facilities acquisition and construction services	183,869	292,279
Other uses	5,224	6,671
Interest expense	405,430	455,362
Depreciation – unallocated	622,106	581,609
Total Expenses	<u>9,204,854</u>	<u>17,806,763</u>
Changes in Net Position	<u>(365,597)</u>	<u>(8,917,294)</u>
Net Position – Beginning of Year, Restated	<u>(13,502,804)</u>	<u>(4,585,510)</u>
Net Position – End of Year	<u>\$ (13,868,401)</u>	<u>\$ (13,502,804)</u>

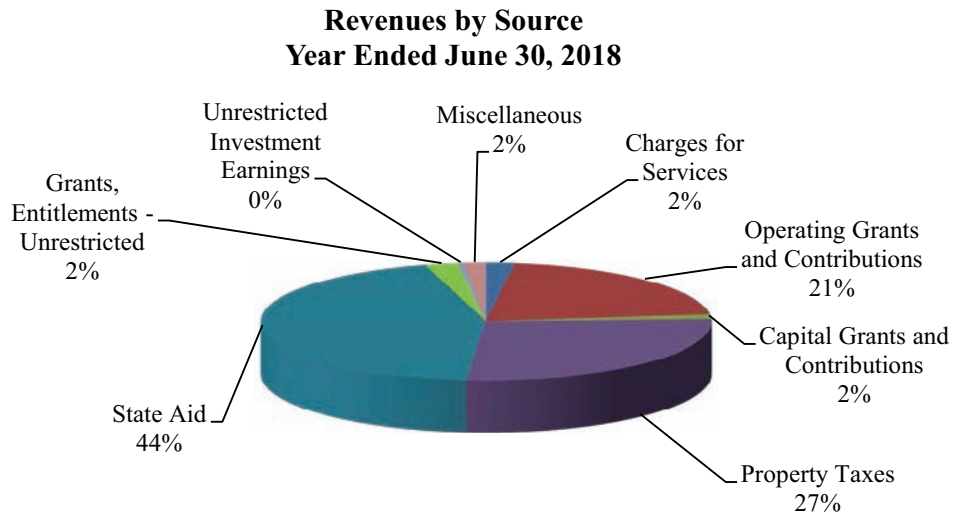
LOS ANGELES UNIFIED SCHOOL DISTRICT

Management's Discussion and Analysis

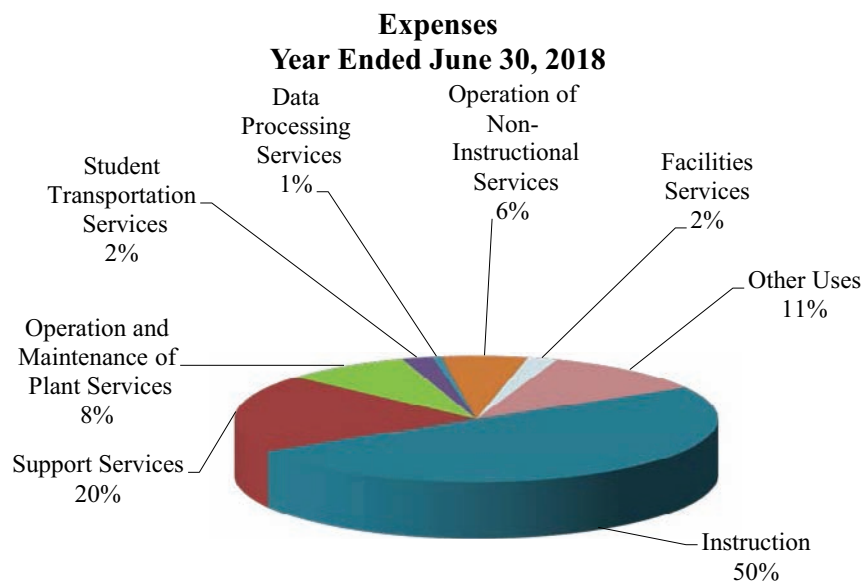
June 30, 2018

The District's net position decreased by \$0.37 billion from the prior year. This is primarily due to the increase in other postemployment benefits expense and the net pension liability. The total current year revenue is lower by 0.56% as compared to the prior year.

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



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



LOS ANGELES UNIFIED SCHOOL DISTRICT

Management's Discussion and Analysis

June 30, 2018

Financial Analysis of the Governmental 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 \$5.08 billion, an increase of \$1.02 billion in comparison with the prior year. Approximately 84.45% of this total combined ending fund balance consists of the assigned fund balance totaling \$1.32 billion (26.00%) and nonspendable and restricted fund balances totaling \$2.97 billion (58.45%), which can only be spent for specific purposes because of laws and regulations or grantor restrictions. The remaining \$0.79 billion (15.55%) of this total combined ending fund balance constitutes unassigned fund balance, which includes spendable amounts not contained in the other classifications.

The General Fund is the primary operating fund of the District. At the end of the 2018 fiscal year, the unassigned fund balance of the General Fund was \$0.79 billion, while the total fund balance is \$2.01 billion. The fund balance of the District's General Fund increased by \$0.25 billion during the current fiscal year. This is primarily attributable to the overall decrease in spending by the District.

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

	Other Governmental Funds					Total
	District Bonds	Bond Interest and Redemption	Special Revenue	Debt Service	Other Capital Projects	
Fund Balance, June 30, 2018:						
Nonspendable						
Revolving cash and imprest funds	\$ 634	\$ —	\$ 16	\$ —	\$ —	\$ 16
Inventories	—	—	7,015	—	—	7,015
Prepays	—	—	45	—	—	45
Restricted	1,477,046	810,110	81,026	41,031	389,736	511,793
Assigned	—	—	15,002	—	248,927	263,929
Total	1,477,680	810,110	103,104	41,031	638,663	782,798
Fund Balance, July 1, 2017	692,766	764,293	98,927	57,911	681,999	838,837
Increase (decrease) in fund balance	\$ 784,914	\$ 45,817	\$ 4,177	\$ (16,880)	\$ (43,336)	\$ (56,039)

The fund balance increased during the current year for the District Bonds primarily due to the issuance of additional bonds totaling \$1.35 billion. The increase of \$0.05 billion for the Bond Interest and Redemption Fund was attributable to a slight increase of property taxes received this year plus the premium on bonds generated from this year's issuance. Special Revenue also increased primarily due to increase in net changes in fund balance of the Cafeteria Fund.

LOS ANGELES UNIFIED SCHOOL DISTRICT

Management's Discussion and Analysis

June 30, 2018

On the other hand, other Capital Projects decreased due to spending on projects primarily in the County School Facilities Bonds combined with project cost transfers to other capital project accounts. Debt Service has a very slight movement in the account. This is primarily due to the offsetting effect of debt service payments and revenues derived from operating transfers from user funds and investment income.

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 an unrestricted net position of \$0.35 billion. The net increase of \$0.05 billion in the current year is primarily attributed to a net operating margin in the Workers' Compensation Self-Insurance fund as a result of higher contribution to the fund offset by lower expenditures.

General Fund Budgetary Highlights

Los Angeles Unified School District closely monitors and reviews its revenue and expenditure data to ensure that a sufficient ending balance is maintained. This monitoring and review occurs from the development of the budgeted data through the State-mandated first and second interim financial reports, and at year end, utilizing the actual revenue and expenditure data.

Modified Final Budget vs. Original Final Budget

The District's Original Final Budget is based on assumptions from the State's May Revision Budget, while the Modified Final Budget is based not only on the State's Enacted Budget but also on all other known State budgetary changes and changes to the District's priority of program implementations and/or planned expenditures. Differences between the 2017-18 General Fund Original Final Budget adopted by the Board of Education in June 2017 and the Modified Final Budget, resulted in a higher budgeted ending balance by \$0.48 billion, from \$1.12 billion to \$1.60 billion. Adjustments to the Original Final Budget were an increase in beginning balance by \$0.28 billion, an increase in budgeted revenues and financing sources by \$0.24 billion, and an increase in budgeted expenditures and other financing uses by \$0.04 billion.

The increase in beginning balance by \$0.28 billion was to reflect the actual ending balance as of June 30, 2017 as opposed to the estimated June 30, 2017 ending balance. The net increase in budgeted revenues and other financing sources of \$0.24 billion was mostly due to a higher grant recognition of \$0.10 billion, proceeds from legal settlements of \$0.09 billion, increase in one-time discretionary funds for outstanding mandate claims of \$0.07 billion, transfer from Measure Q mostly to fund bus purchases of \$0.03 billion, offset by a decrease in Local Control Funding Formula revenue of \$0.04 billion, and lower State's on-behalf contribution to California State Teachers' Retirement System (CalSTRS) of \$0.01 billion.

The change in estimated expenditures and other financing uses of \$0.04 billion was mostly attributable to budget changes to increase grant expenditure authority by \$0.10 billion and to implement bus purchase expenditure requirement of \$0.02 billion offset by budget changes to lower estimated expenditure from delayed implementation of personnel cuts by \$0.04 billion, to reduce health and welfare contribution by \$0.02 billion pursuant to the 2018-20 Health and Welfare Agreement that held the per-participant contribution to the 2017 level, and to decrease State's on-behalf contribution to CalSTRS by \$0.01 billion due to a lower revenue.

LOS ANGELES UNIFIED SCHOOL DISTRICT

Management's Discussion and Analysis

June 30, 2018

Actual vs. Modified Final Budget

The beginning balance remained the same on both the Actual and the Modified Final Budget. The unfavorable variance of \$0.10 billion in revenues and other financing sources between the Actual and Modified Final Budget was mostly due to adjustments of \$0.17 billion on multi-year grants which are budgeted in their entirety but earned only to the extent of actual expenditures incurred offset by a higher proceeds from legal settlements of \$0.03 billion, increased State's on-behalf contribution to California State Teachers' Retirement System (CalSTRS) of \$0.03 billion, and higher interest income of \$0.02 billion due to larger cash balance and better interest rate.

The favorable variance of \$0.51 billion in expenditures and other financing uses between the Actual and the Modified Final Budget was mostly from school carryover accounts. The unspent portion of these school accounts will be carried over into the next fiscal year to pay for future obligations. The largest decrease in expenditures was mainly in Books and Supplies (\$0.22 billion), Certificated Salaries (\$0.11 billion), and Services and Other Operating Expenditures (\$0.08 billion).

Differences between the Actual and Modified Final Budget resulted in a higher ending balance by \$0.41 billion, from \$1.60 billion to \$2.01 billion.

Capital Assets and Debt Administration

Capital assets. The District's investment in capital assets for its governmental activities as of June 30, 2018 amounts to \$14.39 billion (net of accumulated depreciation), 0.32% 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. The increase is primarily due to various seismic, heating, ventilation, and air conditioning (HVAC), and comprehensive modernization projects at school sites.

Summary of capital assets (net of accumulated depreciation) is as follows (in thousands):

	Governmental Activities	
	2018	2017
Sites	\$ 3,098,633	\$ 3,099,156
Improvement of sites	209,103	202,775
Buildings and improvements	9,847,457	9,923,905
Equipment	424,898	480,989
Construction in progress	805,149	633,113
Total	<u>\$ 14,385,240</u>	<u>\$ 14,339,938</u>

Additional information on the District's capital assets can be found in Note 7 on pages 41-42 of this report.

Long-term obligations. At the end of the current fiscal year, the District had total long-term obligations of \$34.27 billion. Of this amount, \$11.39 billion comprises of debt to be repaid by voter-approved property taxes and not by the General Fund of the District.

LOS ANGELES UNIFIED SCHOOL DISTRICT

Management's Discussion and Analysis

June 30, 2018

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

	Governmental Activities	
	2018	2017 (As Restated)
General Obligation Bonds	\$ 11,390,146	\$ 10,520,277
Certificates of Participation (COPs)	202,192	243,219
Capital Lease Obligations	676	1,005
Children's Center Facilities Revolving Loan	238	316
Liability for Compensated Absences	64,983	70,665
Liability for Other Employee Benefits	52,547	52,251
Self-insurance Claims	621,148	650,963
Net Pension Liability	6,971,551	6,269,867
Other Postemployment Benefits (OPEB)	14,968,510	15,925,980
Arbitrage Payable	1,420	583
Total	\$ 34,273,411	\$ 33,735,126

The District's total long-term obligations increased by \$0.54 billion (1.60%) during the current fiscal year. The increase resulted primarily from additional bond issuance.

Long-Term Credit Ratings

The ratings on the District's sale of GO bonds that were issued in March 2018 are "AAA" and "F1+" for tax-exempt and taxable bonds, respectively from Fitch Ratings (Fitch), and "Aa2" from Moody's Investor's Service (Moody's). Prior GO bond issuances are rated "AA+" by Kroll Bond Rating Agency (Kroll) and "AA-" by Standard & Poor's (S&P). The District's COPs are currently rated "A1" and "A+" by Moody's and S&P, respectively.

The District purchased municipal bond insurance and/or reserve surety bond policies at the time of issuance for some of its COPs and bonds. Moody's, S&P and Fitch assigned insured ratings of "Aaa", "AAA" and "AAA", respectively, on said COPs and bonds at the time of issuance. Subsequent to February 1, 2008, the rating agencies downgraded the ratings of certain bond insurers, including all of those who had issued bond insurance policies and/or surety bonds on District issues.

State statutes limit the issuance of general obligation bond debt by a unified school district if the outstanding general obligation bonds are more than 2.50% of its total taxable property. The debt limitation for the District as of June 30, 2018 is \$16.11 billion, which is in excess of the District's outstanding general obligation bond debt.

Additional information on the District's long-term obligations can be found in Notes 11 and 12 on pages 66-70 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, under the Office of the Chief Financial Officer homepage (<https://achieve.lausd.net/Page/1679>). Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Office of the Chief Financial Officer, Los Angeles Unified School District, P.O. Box 513307-1307, Los Angeles, California 90051-1307.

LOS ANGELES UNIFIED SCHOOL DISTRICT
Statement of Net Position
June 30, 2018
(in thousands)

	<u>Governmental Activities</u>
Assets:	
Cash in county treasury, in banks, and on hand	\$ 6,532,091
Cash held by trustee	31,299
Property taxes receivable	83,385
Accounts receivable, net	250,809
Accrued interest receivable	29,156
Prepays	51,146
Inventories	30,057
Accounts receivable, non current	12,750
Other assets	6,116
Capital assets:	
Sites	3,098,633
Improvement of sites	650,130
Buildings and improvements	15,948,292
Equipment	2,192,122
Construction in progress	805,149
Less accumulated depreciation	<u>(8,309,086)</u>
Total Capital Assets, Net of Depreciation	<u>14,385,240</u>
Total Assets	<u>21,412,049</u>
Deferred Outflows of Resources	<u>3,362,207</u>
Liabilities:	
Vouchers and accounts payable	264,548
Contracts payable	80,281
Accrued payroll	267,087
Accrued interest	260,256
Other payables	114,762
Unearned revenue	71,197
Long-term liabilities:	
Portion due within one year	753,258
Portion due after one year	11,580,092
Net pension liability	6,971,551
Net other postemployment benefits liability	<u>14,968,510</u>
Total Liabilities	<u>35,331,542</u>
Deferred Inflows of Resources	<u>3,311,115</u>
Net Position:	
Net investment in capital assets	4,349,896
Restricted for:	
Debt service	708,857
Program activities	629,085
Unrestricted	<u>(19,556,239)</u>
Total Net Position	<u><u>\$ (13,868,401)</u></u>

See accompanying notes to basic financial statements.

LOS ANGELES UNIFIED SCHOOL DISTRICT
Statement of Activities
Year Ended June 30, 2018
(in thousands)

Functions/programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental activities:					
Instruction	\$ 4,579,527	\$ 31,612	\$ 818,803	\$ —	\$ (3,729,112)
Support services – students	461,769	29	148,018	—	(313,722)
Support services – instructional staff	584,654	114	205,514	—	(379,026)
Support services – general administration	69,037	—	80	—	(68,957)
Support services – school administration	512,127	—	70,804	—	(441,323)
Support services – business	226,862	8,011	61,128	—	(157,723)
Operation and maintenance of plant services	780,229	33,011	25,860	—	(721,358)
Student transportation services	186,567	—	1	—	(186,566)
Data processing services	59,161	—	26	—	(59,135)
Operation of non-instructional services	528,292	9,868	458,255	—	(60,169)
Facilities acquisition and construction services*	183,869	102,550	64,317	55,031	38,029
Other uses	5,224	—	135	—	(5,089)
Interest expense	405,430	—	1,658	68,885	(334,887)
Depreciation – unallocated**	622,106	—	—	—	(622,106)
Total Governmental Activities	<u>\$ 9,204,854</u>	<u>\$ 185,195</u>	<u>\$ 1,854,599</u>	<u>\$ 123,916</u>	<u>(7,041,144)</u>
General revenues:					
Taxes:					
Property taxes, levied for general purposes					1,532,320
Property taxes, levied for debt service					813,562
Property taxes, levied for community redevelopment					31,330
State aid not restricted to specific purpose					3,911,190
Grants, entitlements, and contributions not restricted to specific programs					213,169
Unrestricted investment earnings					35,318
Miscellaneous					138,658
Total General Revenues					<u>6,675,547</u>
Change in Net Position					(365,597)
Net Position – Beginning of Year, Restated					<u>(13,502,804)</u>
Net Position – End of Year					<u>\$ (13,868,401)</u>

* This amount represents expenses incurred in connection with activities related to capital projects that are not otherwise capitalized and included as part of capital assets (for example, project manager fees).

** This amount excludes the depreciation that is included in the direct expenses of the various programs.

See accompanying notes to basic financial statements.

LOS ANGELES UNIFIED SCHOOL DISTRICT
Balance Sheet
Governmental Funds
June 30, 2018
(in thousands)

	<u>General</u>	<u>District Bonds</u>	<u>Bond Interest and Redemption</u>	<u>Other Governmental</u>	<u>Total Governmental</u>
Assets:					
Cash in county treasury, in banks, and on hand	\$ 2,397,938	\$ 1,581,875	\$ 844,697	\$ 738,734	\$ 5,563,244
Cash held by trustee	—	—	—	31,299	31,299
Taxes receivable	—	—	83,385	—	83,385
Accounts receivable – net	163,069	—	—	58,990	222,059
Accrued interest receivable	10,786	8,629	—	4,053	23,468
Due from other funds	10,000	—	—	—	10,000
Prepays	1,683	—	—	45	1,728
Inventories	23,042	—	—	7,015	30,057
Total Assets	<u>2,606,518</u>	<u>1,590,504</u>	<u>928,082</u>	<u>840,136</u>	<u>5,965,240</u>
Deferred Outflows of Resources	—	—	—	—	—
Total Assets and Deferred Outflows of Resources	<u>\$ 2,606,518</u>	<u>\$ 1,590,504</u>	<u>\$ 928,082</u>	<u>\$ 840,136</u>	<u>\$ 5,965,240</u>
Liabilities and Fund Balances:					
Vouchers and accounts payable	\$ 204,070	\$ 41,366	\$ —	\$ 13,750	\$ 259,186
Contracts payable	5,738	62,800	—	11,743	80,281
Accrued payroll	251,684	5,153	—	14,262	271,099
Other payables	63,983	3,505	—	6,655	74,143
Due to other funds	—	—	—	10,000	10,000
Unearned revenue	70,270	—	—	928	71,198
Total Liabilities	<u>595,745</u>	<u>112,824</u>	<u>—</u>	<u>57,338</u>	<u>765,907</u>
Deferred Inflows of Resources:					
Property taxes	—	—	83,385	—	83,385
Build America Bond Subsidy	—	—	34,587	—	34,587
Total Deferred Inflows of Resources	<u>—</u>	<u>—</u>	<u>117,972</u>	<u>—</u>	<u>117,972</u>
Fund Balances:					
Nonspendable	\$ 27,564	\$ 634	\$ —	\$ 7,076	\$ 35,274
Restricted	135,766	1,477,046	810,110	—	2,422,922
Restricted, reported in:					
Special revenue funds	—	—	—	81,026	81,026
Debt service funds	—	—	—	41,031	41,031
Capital projects funds	—	—	—	389,736	389,736
Assigned	1,057,387	—	—	—	1,057,387
Assigned, reported in:					
Special revenue funds	—	—	—	15,002	15,002
Capital projects funds	—	—	—	248,927	248,927
Unassigned:					
Reserved for economic uncertainties	75,381	—	—	—	75,381
Unassigned	714,675	—	—	—	714,675
Total Fund Balances	<u>2,010,773</u>	<u>1,477,680</u>	<u>810,110</u>	<u>782,798</u>	<u>5,081,361</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 2,606,518</u>	<u>\$ 1,590,504</u>	<u>\$ 928,082</u>	<u>\$ 840,136</u>	<u>\$ 5,965,240</u>

See accompanying notes to basic financial statements.

LOS ANGELES UNIFIED SCHOOL DISTRICT
 Reconciliation of the Governmental Funds Balance Sheet
 to the Statement of Net Position
 June 30, 2018
 (in thousands)

Total Fund Balances – Governmental Funds	\$ 5,081,361
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. The cost of the assets is \$22,694,326 and the accumulated depreciation is \$8,309,086.	14,385,240
Property taxes receivable will be collected this year, but are not available soon enough to pay the current period's expenditures and therefore are unearned in the funds.	83,385
Federal subsidies for debt service expenditures are recognized in the governmental funds only when the corresponding interest expenditure is recognized.	34,587
Receivables that will be collected in the following year and thereafter are not available soon enough to pay the current period's expenditures and therefore are not reported in the governmental funds.	17,059
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.	349,410
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the governmental funds.	(11,967,666)
Deferred outflow/inflow of resources – refunding charges are not reported in the governmental funds.	79,873
Proportionate share of net pension liability and related deferred inflow/outflow of resources are not reported in the governmental funds.	(5,594,697)
Net other postemployment benefits liability and related deferred inflow/outflow of resources are not reported in the governmental funds.	<u>(16,336,953)</u>
Total Net Position – Governmental Activities	<u><u>\$ (13,868,401)</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, 2018
(in thousands)

	<u>General</u>	<u>District Bonds</u>	<u>Bond Interest and Redemption</u>	<u>Other Governmental</u>	<u>Total Governmental</u>
Revenues:					
Local Control Funding Formula sources	\$ 5,443,510	\$ —	\$ —	\$ —	\$ 5,443,510
Federal revenues	588,961	—	68,774	365,315	1,023,050
Other state revenues	966,755	—	3,488	304,226	1,274,469
Other local revenues	269,419	24,721	809,677	177,176	1,280,993
Total Revenues	<u>7,268,645</u>	<u>24,721</u>	<u>881,939</u>	<u>846,717</u>	<u>9,022,022</u>
Expenditures:					
Current:					
Certificated salaries	2,826,663	—	—	99,970	2,926,633
Classified salaries	984,873	54,382	—	162,998	1,202,253
Employee benefits	2,023,434	26,909	—	184,458	2,234,801
Books and supplies	331,232	2,767	—	177,301	511,300
Services and other operating expenditures	798,384	54,435	—	15,871	868,690
Capital outlay	62,559	505,704	—	144,816	713,079
Debt service – principal	441	—	560,960	42,941	604,342
Debt service – bond issuance cost	—	—	1,523	—	1,523
Debt service – bond, COPs, and capital leases interest	39	—	472,046	10,489	482,574
Other outgo	4,823	—	—	401	5,224
Transfers of indirect costs – interfund	(24,596)	—	—	24,596	—
Total Expenditures	<u>7,007,852</u>	<u>644,197</u>	<u>1,034,529</u>	<u>863,841</u>	<u>9,550,419</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>260,793</u>	<u>(619,476)</u>	<u>(152,590)</u>	<u>(17,124)</u>	<u>(528,397)</u>
Other Financing Sources (Uses):					
Transfers in	39,119	94,224	—	70,415	203,758
Transfers out	(54,594)	(39,834)	—	(109,330)	(203,758)
Issuance of bonds	—	1,350,000	—	—	1,350,000
Premium on bonds issued	—	—	198,460	—	198,460
Discount on bonds issued	—	—	(53)	—	(53)
Insurance proceeds – landslide and fire damage	200	—	—	—	200
Capital leases	112	—	—	—	112
Total Other Financing Sources (Uses)	<u>(15,163)</u>	<u>1,404,390</u>	<u>198,407</u>	<u>(38,915)</u>	<u>1,548,719</u>
Net Changes in Fund Balances	245,630	784,914	45,817	(56,039)	1,020,322
Fund Balances, July 1, 2017	<u>1,765,143</u>	<u>692,766</u>	<u>764,293</u>	<u>838,837</u>	<u>4,061,039</u>
Fund Balances, June 30, 2018	<u>\$ 2,010,773</u>	<u>\$ 1,477,680</u>	<u>\$ 810,110</u>	<u>\$ 782,798</u>	<u>\$ 5,081,361</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
Year Ended June 30, 2018
(in thousands)

Net Changes in Fund Balances – Governmental Funds	\$ 1,020,322
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.	45,303
Some of the capital assets acquired this year were financed with capital leases. The amount financed is reported in the governmental funds as a source of financing. On the other hand, the proceeds are not revenues in the statement of activities, but rather, constitute long-term liabilities in the statement of net position.	(112)
Proceeds of new debt and repayment of debt principal are reported as other financing sources and uses in the governmental funds, but constitute additions and reductions to liabilities in the statement of net position.	(748,986)
Premiums, discounts, and refunding charges are reported as other financing sources and uses in the governmental funds, but constitute additions and reductions to liabilities in the statement of net position.	(198,407)
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.	7,557
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).	9,321
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.	80,210
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.	(837)
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.	49,413
Legal settlement gains are recognized in the government wide statements as soon as the underlying event has occurred but not until collected in the governmental funds.	(4,309)
Federal subsidies for debt interest payments are recognized in the government wide statement as soon as it is earned. In the governmental funds, it is recorded when the corresponding interest expenditure is recognized.	112
Actuarial pension expense is recognized in the government wide statements and actual pension contributions are reclassified in the current year as deferred outflow of resources.	(186,742)
Actuarial OPEB expense is recognized in the government wide statements and actual OPEB contributions are reclassified in the current year as deferred outflow of resources.	(438,442)
Change in Net Position of Governmental Activities	\$ (365,597)

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, 2018
(in thousands)

	Budget		Actual	Variance with Final Budget – Favorable (Unfavorable)
	Original	Final		
Revenues:				
Local Control Funding Formula sources	\$ 5,473,490	\$ 5,435,416	\$ 5,443,510	\$ 8,094
Federal revenues	645,680	712,244	588,961	(123,283)
Other state revenues	890,189	981,195	966,755	(14,440)
Other local revenues	133,849	229,599	269,419	39,820
Total Revenues	<u>7,143,208</u>	<u>7,358,454</u>	<u>7,268,645</u>	<u>(89,809)</u>
Expenditures:				
Current:				
Certificated salaries	2,870,202	2,940,949	2,826,663	114,286
Classified salaries	915,044	987,476	984,873	2,603
Employee benefits	2,075,341	2,071,539	2,023,434	48,105
Books and supplies	774,919	548,505	331,232	217,273
Services and other operating expenditures	831,384	878,737	798,384	80,353
Capital outlay	19,802	99,831	62,559	37,272
Debt service – principal	760	760	441	319
Debt service – bond, COPs, and capital leases interest	46	46	39	7
Other outgo	7,653	7,689	4,823	2,866
Transfers of indirect costs – interfund	(25,604)	(25,540)	(24,596)	(944)
Total Expenditures	<u>7,469,547</u>	<u>7,509,992</u>	<u>7,007,852</u>	<u>502,140</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(326,339)</u>	<u>(151,538)</u>	<u>260,793</u>	<u>412,331</u>
Other Financing Sources (Uses):				
Transfers in	20,000	48,442	39,119	(9,323)
Transfers out	(61,497)	(64,790)	(54,594)	10,196
Insurance proceeds – landslide and fire damage	300	300	200	(100)
Capital leases	—	—	112	112
Total Other Financing Uses	<u>(41,197)</u>	<u>(16,048)</u>	<u>(15,163)</u>	<u>885</u>
Net Changes in Fund Balances	<u>(367,536)</u>	<u>(167,586)</u>	<u>245,630</u>	<u>413,216</u>
Fund Balances, July 1, 2017	<u>1,488,483</u>	<u>1,765,143</u>	<u>1,765,143</u>	<u>—</u>
Fund Balances, June 30, 2018	<u>\$ 1,120,947</u>	<u>\$ 1,597,557</u>	<u>\$ 2,010,773</u>	<u>\$ 413,216</u>

See accompanying notes to basic financial statements.

LOS ANGELES UNIFIED SCHOOL DISTRICT
Statement of Net Position
Proprietary Funds
Governmental Activities – Internal Service Funds
June 30, 2018
(in thousands)

Assets:	
Cash in county treasury, in banks, and on hand	\$ 968,847
Accounts receivable – net	24,442
Accrued interest and dividends receivable	5,688
Prepays	49,419
Other assets	6,116
Total Assets	<u>1,054,512</u>
Deferred Outflows of Resources	<u>5,769</u>
Liabilities:	
Current:	
Vouchers and accounts payable	5,364
Accrued payroll	781
Other payables	40,618
Estimated liability for self-insurance claims	208,209
Total Current Liabilities	<u>254,972</u>
Noncurrent:	
Estimated liability for self-insurance claims	412,939
Net other postemployment benefits liability	25,816
Net pension liability	11,991
Total Noncurrent Liabilities	<u>450,746</u>
Total Liabilities	<u>705,718</u>
Deferred Inflows of Resources	<u>5,153</u>
Total Net Position – Unrestricted	<u><u>\$ 349,410</u></u>

See accompanying notes to basic financial statements.

LOS ANGELES UNIFIED SCHOOL DISTRICT
Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Funds
Governmental Activities – Internal Service Funds
Year Ended June 30, 2018
(in thousands)

Operating Revenues:	
In-District premiums	\$ 1,222,276
Others	2,298
Total Operating Revenues	1,224,574
Operating Expenses:	
Certificated salaries	112
Classified salaries	6,632
Employee benefits	4,579
Supplies	266
Premiums and claims expenses	1,160,321
Claims administration	16,938
Other contracted services	2,018
Total Operating Expenses	1,190,866
Operating Income	33,708
Nonoperating Revenues (Expenses):	
Investment income	15,759
Miscellaneous expense	(54)
Total Nonoperating Revenues	15,705
Changes in Net Position	49,413
Total Net Position, July 1, 2017, Restated	299,997
Total Net Position, June 30, 2018	\$ 349,410

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, 2018
(in thousands)

Cash Flows from Operating Activities:	
Cash payments to employees for services	\$ (10,535)
Cash payments for goods and services	(1,189,222)
Receipts from assessment to other funds	1,222,277
Receipts from other operating revenue	<u>2,297</u>
Net Cash Provided by Operating Activities	<u>24,817</u>
Cash Flows from Investing Activities:	
Earnings on investments	<u>15,007</u>
Net Cash Provided by Investing Activities	<u>15,007</u>
Net Increase in Cash and Cash Equivalents	39,824
Cash and Cash Equivalents, July 1	<u>929,023</u>
Cash and Cash Equivalents, June 30	<u>\$ 968,847</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:	
Operating Income	<u>\$ 33,708</u>
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Net increase in pension and other postemployment benefits expense from actuarial valuation	840
Change in Assets: (Increase)	
Accounts receivable	(597)
Prepays	(1,440)
Other assets	(315)
Change in Liabilities: Increase (Decrease)	
Vouchers and accounts payable	2,021
Accrued payroll	(53)
Other payables	20,467
Estimated liability for self-insurance claims – current	959
Estimated liability for self-insurance claims – noncurrent	<u>(30,773)</u>
Total Adjustments	<u>(8,891)</u>
Net Cash Provided by Operating Activities	<u>\$ 24,817</u>

See accompanying notes to basic financial statements.

LOS ANGELES UNIFIED SCHOOL DISTRICT
Statement of Net Position
Fiduciary Funds
June 30, 2018
(in thousands)

	<u>Other Postemployment Benefits (OPEB) Trust Fund</u>	<u>Agency Funds</u>
Assets:		
Cash in county treasury, in banks, and on hand	\$ —	\$ 130,226
Cash held by trustee	387,850	—
Total Assets	<u>\$ 387,850</u>	<u>\$ 130,226</u>
Liabilities:		
Other payables	\$ —	\$ 130,226
Total Liabilities	<u>\$ —</u>	<u>\$ 130,226</u>
Net Position:		
Restricted for other postemployment benefits	<u>\$ 387,850</u>	

See accompanying notes to basic financial statements.

LOS ANGELES UNIFIED SCHOOL DISTRICT
Statement of Changes in Net Position
Fiduciary Funds
Year Ended June 30, 2018
(in thousands)

	<u>Other Postemployment Benefits (OPEB) Trust Fund</u>
Additions:	
In-District contributions	\$ 120,000
Other local revenues	24,018
Total Additions	<u>144,018</u>
Deductions:	
Administrative expenses	<u>298</u>
Total Deductions	<u>298</u>
Change in net position	143,720
Total Net Position, July 1, 2017	<u>244,130</u>
Total Net Position, June 30, 2018	<u><u>\$ 387,850</u></u>

See accompanying notes to basic financial statements.

LOS ANGELES UNIFIED SCHOOL DISTRICT

Notes to Basic Financial Statements

Year Ended June 30, 2018

(1) Summary of Significant Accounting Policies

The Los Angeles Unified School District (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 Audited 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 LAUSD Financing Corporation and the LAUSD 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 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.

On July 1, 2014, the District entered into a joint venture agreement with Los Angeles Trust for Children's Health as the original participant to form Los Angeles Unified School District Risk Management Authority (LAUSDRMA). LAUSDRMA was formed to permit the participants to jointly exercise their common powers to self-insure, pool, and jointly fund and purchase insurance, and to establish insurance programs for a variety of risks. This joint venture also meets GASB's reporting definition criteria of a blended component unit. Detailed information about LAUSDRMA's Financial Statements is available in a separately issued financial report. Copies of the said report

LOS ANGELES UNIFIED SCHOOL DISTRICT

Notes to Basic Financial Statements

Year Ended June 30, 2018

may be obtained by written request to General Manager/Secretary, LAUSDRMA, 333 S. Beaudry Avenue, 28th Floor, Los Angeles, CA 90017.

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

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

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

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

(c) *Measurement Focus and Basis of Accounting*

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

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

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

LOS ANGELES UNIFIED SCHOOL DISTRICT

Notes to Basic Financial Statements

Year Ended June 30, 2018

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 audited 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, deferred outflow and inflow of resources, capital and other long-term assets, and long-term liabilities are included in the financial statements.
- Statement of net position displays the financial position of the District including all capital assets and related accumulated depreciation, long-term liabilities, and net pension and other postemployment benefits (OPEB) liabilities.
- Statement of activities focuses on the cost of functions and programs and the effect of these on the District's net position. This financial report is also prepared using the full accrual basis and includes depreciation 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 2017-18:

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 (Proposition BB), established to account for bond proceeds received as a result of the passage of such proposition in Election of 1997; Building Account – Measure K, established to account for bond proceeds received by the passage of such measure in Election of 2002; Building Account – Measure R, established to account for bond proceeds received by the passage of such measure in Election of 2004; Building Account – Measure Y, established to account for bond proceeds received by the passage of such measure in Election of 2005; and Building Account – Measure Q, established to account for bond proceeds received by the passage of such measure in Election of 2008.

LOS ANGELES UNIFIED SCHOOL DISTRICT

Notes to Basic Financial Statements

Year Ended June 30, 2018

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, Measure Y, and Measure Q). Revenues are derived from ad valorem taxes levied upon all taxable property in 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, Child Development, and Cafeteria.

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 2017-18.

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, Capital Facilities Account, State School Building Lease-Purchase, County School Facilities Bonds, Special Reserve – Community Redevelopment Agency, Special Reserve, Special Reserve – FEMA – Earthquake, and Special Reserve – FEMA – Hazard Mitigation. The District Bonds Fund (BB Bonds, Measure K, Measure R, Measure Y, and Measure Q) is reported separately as a major fund in fiscal year 2017-18.

Proprietary Funds

The District has the following Proprietary Funds:

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

Under the full accrual basis of accounting that is generally accepted for Internal Service Funds, total estimated liabilities for self-insurance are recorded based on estimated claims liabilities, including the estimated liability for incurred but not reported claims. For the Workers' Compensation Self-Insurance 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

LOS ANGELES UNIFIED SCHOOL DISTRICT

Notes to Basic Financial Statements

Year Ended June 30, 2018

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.

Payroll Agency Fund – The Payroll Agency Fund is used to account for cash held by the District consisting of state and federal income taxes, social security taxes, retirement deductions and other amounts withheld from the payroll checks of employees, from which a legal or contractual obligation exists to remit monies to a third party.

Pension (and Other Employee Benefit) Trust Fund – The Pension (and Other Employee Benefit) Trust Fund is used to report resources that are required to be held in trust for the members and beneficiaries of defined benefit pension plans, defined contribution plans, or other postemployment benefit plans. The District maintains one type of pension trust fund:

Other Postemployment Benefits (OPEB) Trust Fund – The OPEB Trust Fund accounts for all financial resources used to provide health and welfare benefits to District retirees in accordance with collective bargaining unit agreements and Board rules. These are non-pension benefits that the District has committed to its employees as future compensation for services already rendered.

(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

LOS ANGELES UNIFIED SCHOOL DISTRICT

Notes to Basic Financial Statements

Year Ended June 30, 2018

addition, the District revises the budget during the year to give consideration to unanticipated revenues and expenditures (see Note 4 – Budgetary Appropriation Amendments).

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

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

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

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

(g) *Cash and Investments*

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

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

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

LOS ANGELES UNIFIED SCHOOL DISTRICT

Notes to Basic Financial Statements

Year Ended June 30, 2018

(h) Short-term Interfund Receivables/Payables

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

(i) Inventories

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

(j) Capital Assets

Capital assets, which include sites, improvement of sites, buildings and improvements, equipment, and construction in progress, are reported in the government-wide financial statements. Such assets are valued at historical cost or estimated historical cost unless obtained by annexation or donation, in which case they are recorded at estimated market value at the date of receipt. The District utilizes a capitalization threshold of \$5,000.

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

All capital assets, except land and construction in progress, are depreciated using the straight-line method over the following estimated useful lives. A full month’s depreciation is applied on the date the asset is placed in service.

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

LOS ANGELES UNIFIED SCHOOL DISTRICT

Notes to Basic Financial Statements

Year Ended June 30, 2018

(k) *Contracts Payable*

Contracts payable includes only the portion applicable to work completed and unpaid as of June 30, 2018.

(l) *Compensated Absences*

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

In 1995, pursuant to the District/UTLA Agreement (Article XIV, Section 1.2), the District agreed to compensate eligible employees for furlough days taken during the 1992-93 fiscal year to be paid in a lump-sum bonus upon retirement. The amount of bonus corresponds to the percentage that the employee's compensation was reduced in the 1992-93 school year based on the employee's salary band for that year. Liability is accrued in the government-wide statements for all unpaid balances. A liability is reported in the governmental funds only for employees who have separated from the District as of June 30.

(m) *Pensions*

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the California State Teachers' Retirement System (CalSTRS) and California Public Employees' Retirement System (CalPERS) pension plans and additions to/deductions from CalSTRS and CalPERS pension plans' fiduciary net position have been determined on the same basis as they are reported by CalSTRS and CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

(n) *Long-term Obligations*

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities statement of net position. Bond premiums and discounts are amortized over the life of the bonds using the effective-interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are recognized as expense in the period incurred. Gains and losses on refunding related to bonds redeemed by proceeds from the issuance of new bonds are reported as either deferred inflows of resources or deferred outflows of resources and are amortized as an adjustment to interest expense using the effective-interest method over the shorter of the life of the new bonds or the remaining term of the bonds refunded.

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

LOS ANGELES UNIFIED SCHOOL DISTRICT

Notes to Basic Financial Statements

Year Ended June 30, 2018

sources while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

(o) *Local Control Funding Formula (LCFF) Sources/Property Taxes/Education Protection Account (EPA)*

LCFF sources are the basic financial support for District activities. The District's LCFF is received from a combination of local property taxes, EPA, and state apportionments. For the fiscal year 2017-18, the District received \$1,257.9 million of local property taxes, \$658.3 million of EPA, and \$3,527.3 million of State aid.

Implementation of the LCFF began in fiscal year 2013-14 with a projected eight-year transition period. For school districts and charter schools, the LCFF creates base, supplemental, and concentration grants in place of most previously existing K-12 funding streams, including revenue limits and most state categorical programs. Until full implementation, local educational agencies (LEAs) will receive roughly the same amount of funding they received in fiscal year 2012-13 plus an additional amount each year to bridge the gap between current funding levels and the new LCFF target levels. Funding is calculated based on data reported by each LEA including pupil attendance, local revenue, and other demographic factors, in accordance with the LCFF. Allocations are made through the Principal Apportionment system.

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 apportionments 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 LCFF sources by the District.

Another funding component to the total LCFF is the Education Protection Account (EPA). The EPA provides LEAs with general purpose state aid funding pursuant to Proposition 30, The Schools and Local Public Safety Protection Act of 2012, approved by the voters on November 6, 2012. Proposition 30 temporarily increases the state's sales tax rate for all taxpayers until the end of 2016 and the personal income tax rates for upper-income taxpayers until the end of 2018. Proposition 55 was passed on November 8, 2016, extending the temporary personal income tax increases enacted in 2012 by 12 years. A portion of the revenues generated by the measure's temporary tax increases is deposited into the EPA which is used to support increased school funding.

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

LOS ANGELES UNIFIED SCHOOL DISTRICT

Notes to Basic Financial Statements

Year Ended June 30, 2018

property taxes in the General Fund as any receivable is offset by a payable on the state apportionment.

(p) 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.

(q) New Pronouncements

The GASB has issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (other postemployment benefits or OPEB)*, effective for periods beginning after June 15, 2017. This statement replaces the requirements of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for OPEB*, as amended, and GASB Statement No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, for OPEB. This addresses the accounting and financial reporting by state and local governments for OPEB that is provided to its employees. It establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expenses/expenditures.

In 2018, the District adopted GASB Statement No. 75, which requires the restatement of the June 30, 2017 net position in governmental activities by the amount of the District's net OPEB liability as this liability is now required to be recognized in full in its financial statements. The result is a decrease in net position at July 1, 2017 of about \$8.4 billion. This change is in accordance with generally accepted accounting principles.

The GASB has issued Statement No. 82, *Pension Issues – An amendment of GASB Statements No. 67, No. 68, and No. 73*. This statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. This Statement is effective for reporting periods beginning after June 15, 2016, except for the requirements of this Statement for the selection of assumptions in a circumstance in which an employer's pension liability is measured as of a date other than the employer's most recent fiscal year-end. In that circumstance, the requirements for the selection of assumptions are effective for that employer in the first reporting period in which the measurement date of the pension liability is on or after June 15, 2017.

In 2018, the District adopted GASB Statement No. 82 that resulted in the recognition of the District's proportionate share of on-behalf contributions in the governmental fund financial statements and adjusted as part of the conversion entry to reflect the appropriate on-behalf contribution amount in the government-wide financial statements pursuant to GASB 68. The result is a decrease in revenue in the government-wide of about \$184 million.

The GASB has issued Statement No. 85, *Omnibus 2017*, effective for periods beginning after June 15, 2017. The objective of this Statement is to address practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value

LOS ANGELES UNIFIED SCHOOL DISTRICT

Notes to Basic Financial Statements

Year Ended June 30, 2018

measurement and application, and postemployment benefits (pensions and other postemployment benefits). The District adopted applicable standards of this statement as of June 30, 2018.

The GASB has issued Statement No. 86, *Certain Debt Extinguishment Issues*, effective for periods beginning after June 15, 2017. This Statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources – resources other than the proceeds of refunding debt – are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. This Statement did not have an impact on the District’s financial statements for the fiscal year 2017-18.

(r) Restatements

The following table illustrates the cumulative effect of the change in accounting principles as shown on the face of the District’s Statement of Activities (in thousands):

	Proprietary Funds	Governmental Activities
Net position at beginning of year, as previously reported	\$ 327,465	\$ (5,098,132)
Restatement –		
Recognition of net OPEB liability in full (see Note 1q)	(27,468)	(8,404,672)
Net position at beginning of year, as restated	\$ 299,997	\$ (13,502,804)

(2) Tax and Revenue Anticipation Notes

Tax and Revenue Anticipation Notes (TRANs) are short-term debt instruments used to finance temporary cash flow deficits attributable to the uneven receipt of property taxes and other revenues during the fiscal year.

The District did not issue TRANs in fiscal years 2013-14 through 2017-18 due to the State’s elimination of its cash inter and intra-deferrals.

(3) Reconciliation of Government-wide and Fund Financial Statements

(a) Explanation of Certain Differences Between the Governmental Fund Balance Sheet and the Government-wide Statement of Net Position

The accompanying governmental fund balance sheet includes reconciliation between *total fund balances – governmental funds* and *net position – governmental activities* as reported in the government-wide statement of net position. One element of that reconciliation explains that “long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the governmental funds.” The details of the \$11,967,666 difference are as follows (in thousands):

LOS ANGELES UNIFIED SCHOOL DISTRICT

Notes to Basic Financial Statements

Year Ended June 30, 2018

Bonds payable	\$ (11,390,146)
Certificates of Participation (COPs)	(202,192)
Capital lease obligations	(676)
Children Center Facilities Revolving loan	(238)
Liability for compensated absences	(63,187)
Liability for other employee benefits	(49,551)
Arbitrage payable	(1,420)
Accrued interest	<u>(260,256)</u>
Adjustment to reduce <i>total fund balances – governmental funds</i> to arrive at <i>net position – governmental activities</i>	<u><u>\$ (11,967,666)</u></u>

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

The governmental fund statement of revenues, expenditures and changes in fund balances includes a reconciliation between *total net changes in fund balances – governmental funds* and *changes in net position of governmental activities* as reported in the accompanying government-wide statement of activities. One element of that reconciliation explains that “Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.” The details of this \$45,303 difference are as follows (in thousands):

Capital related expenditures	\$ 713,079
Loss on disposal	(2,012)
Depreciation expense	<u>(665,764)</u>
Net adjustment to increase net changes in <i>total fund balances – governmental funds</i> to arrive at <i>changes in net position – governmental activities</i>	<u><u>\$ 45,303</u></u>

Another element of that reconciliation states that “Proceeds of new debt and repayment of debt principal are reported as other financing sources and uses in the governmental funds, but constitute additions and reductions to liabilities in the statement of net position.” The details of this \$748,986 difference are as follows (in thousands):

Debt issued or incurred:	
General Obligation Bonds	\$ (1,350,000)
Principal repayments:	
General Obligation Bonds	560,960
Certificates of Participation	39,535
Children Center Facilities Loan	78
Capital Leases	<u>441</u>
Net adjustment to decrease net changes in <i>total fund balances – governmental funds</i> to arrive at <i>changes in net position – governmental activities</i>	<u><u>\$ (748,986)</u></u>

LOS ANGELES UNIFIED SCHOOL DISTRICT

Notes to Basic Financial Statements

Year Ended June 30, 2018

(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 \$43.7 million.

(5) Cash and Investments

Cash and investments as of June 30, 2018 are classified in the accompanying basic financial statements as follows (in thousands):

Statement of net position:	
Cash and investments	\$ 6,532,091
Cash and investments held by trustee	<u>31,299</u>
Subtotal	6,563,390
Fiduciary funds:	
Cash and investments	130,226
Cash and investments held by trustee	<u>387,850</u>
Total cash and investments	<u><u>\$ 7,081,466</u></u>

Cash and investments as of June 30, 2018 consist of the following (in thousands):

Cash on hand (cafeteria change funds)	\$ 25
Deposits with financial institutions and Los Angeles County Pool	<u>7,081,441</u>
Total cash and investments	<u><u>\$ 7,081,466</u></u>

Deposits with financial institutions include cash in the Los Angeles County Pooled Surplus Investment Fund (\$6,532.1 million), cash held by fiscal agents or trustees (\$31.3 million), cash deposited with various other financial institutions for imprest funds of schools and offices (\$130.2 million), and cash deposited with trustee for other postemployment benefits (\$387.9 million).

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.

LOS ANGELES UNIFIED SCHOOL DISTRICT

Notes to Basic Financial Statements

Year Ended June 30, 2018

Except for investments by trustees of Certificates of Participation (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 website at <http://ttax.co.la.ca.us/>. The table below identifies some of the investment types permitted in the investment policy:

<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	3 years	30% of PSI portfolio	with credit rating limits
Negotiable Certificates of Deposits – Euro	1 year	10% of PSI portfolio	with credit rating limits
F. Corporate and Depository Notes	3 years	30% of PSI portfolio	with credit rating limits
G. Floating Rate Notes	7 years	10% of PSI portfolio	with credit rating limits
H. Commercial Paper of “prime” quality of the highest ranking or of the highest letter or number ranking as provided for by a nationally recognized statistical-rating organization (NRSRO)	270 days	40% of PSI portfolio	Lesser of 10% of PSI portfolio or credit rating limits
I. Shares of Beneficial Interest	None	15% of PSI portfolio with no more than 10% in any one fund	None
J. Repurchase Agreement	30 days	\$1 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	None	None	None
N. Securities Lending Agreement	180 days	20% of base portfolio value (combined total value of reverse repurchase agreements and securities lending)	None
O. Supranationals in accordance with Gov. Code 53601(q)	5 years	30% of PSI portfolio	with credit rating limits

LOS ANGELES UNIFIED SCHOOL DISTRICT

Notes to Basic Financial Statements

Year Ended June 30, 2018

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 a range between 1.0 and 2.0 years. As of June 30, 2018, 49.37% of district funds in the County PSI Fund does not exceed one year. In addition, variable-rate notes that comprised 0.52% 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 three nationally recognized statistical rating organizations. For short term and long term debt issuers, the rating must be no less than A-1 from Standard & Poor's (S&P), P-1 from Moody's Investors Service (Moody's), or F1 from Fitch Ratings (Fitch). 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 has concentration limits that provide sufficient diversification. As of June 30, 2018, 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.

For COPs debt proceeds held by trustees, these may be placed in permitted investments outlined in the provisions of the trust agreements, as follows:

- A. Direct obligations of the United States of America; bonds, debentures, notes or other evidence of indebtedness issued or guaranteed by specified federal agencies and backed by full or non-full faith and credit of USA;
- B. Money market mutual funds registered under Federal Investment Company Act of 1940 and Federal Securities Act of 1933 and subject to credit rating limits;
- C. Certificates of deposit and other forms of deposit with collateralization, fully insured by FDIC and subject to issuers' credit rating limits;
- D. Investment agreements and commercial papers subject to credit rating limits;
- E. Bonds or notes issued by any state or municipality and pre-refunded municipal bonds, subject to credit rating limits;
- F. Federal funds, bank deposits or bankers' acceptances with full FDIC insurance or subject to credit rating limits;
- G. Repurchase agreements subject to specified criteria and credit rating limits; and
- H. Los Angeles County Investment Pool.

LOS ANGELES UNIFIED SCHOOL DISTRICT

Notes to Basic Financial Statements

Year Ended June 30, 2018

(6) Accounts Receivable, net

Receivables by Fund at June 30, 2018 consist of the following (in thousands):

	General	Other Governmental	Internal Service Funds	Total
Accrued grants and entitlements	\$ 140,347	\$ 27,834	\$ —	\$ 168,181
Other	22,722	31,156	24,442	78,320
Total Accounts Receivable, Net	<u>\$ 163,069</u>	<u>\$ 58,990</u>	<u>\$ 24,442</u>	<u>\$ 246,501</u>

(7) Capital Assets

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

	Balance, July 1, 2017	Increases	Decreases	Balance, June 30, 2018
Governmental activities:				
Capital assets, not being depreciated:				
Sites	\$ 3,099,156	\$ 1,019	\$ (1,542)	\$ 3,098,633
Construction in progress	633,113	700,616	(528,580)	805,149
Total capital assets, not being depreciated	<u>3,732,269</u>	<u>701,635</u>	<u>(530,122)</u>	<u>3,903,782</u>
Capital assets, being depreciated:				
Improvement of sites	624,641	25,489	—	650,130
Buildings and improvements	15,548,165	400,792	(665)	15,948,292
Equipment	2,095,426	113,743	(17,047)	2,192,122
Total capital assets, being depreciated	<u>18,268,232</u>	<u>540,024</u>	<u>(17,712)</u>	<u>18,790,544</u>
Less accumulated depreciation for:				
Improvement of sites	(421,866)	(19,161)	—	(441,027)
Buildings and improvements	(5,624,260)	(476,779)	204	(6,100,835)
Equipment	(1,614,437)	(169,824)	17,037	(1,767,224)
Total accumulated depreciation	<u>(7,660,563)</u>	<u>(665,764)</u>	<u>17,241</u>	<u>(8,309,086)</u>
Total capital assets, being depreciated, net	<u>10,607,669</u>	<u>(125,740)</u>	<u>(471)</u>	<u>10,481,458</u>
Governmental activities capital assets, net	<u>\$ 14,339,938</u>	<u>\$ 575,895</u>	<u>\$ (530,593)</u>	<u>\$ 14,385,240</u>

LOS ANGELES UNIFIED SCHOOL DISTRICT

Notes to Basic Financial Statements

Year Ended June 30, 2018

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

Governmental activities:

Facilities acquisition and construction services	\$ 622,106
Data processing services	13,849
Student transportation services	11,614
Operation and maintenance of plant services	6,304
Instruction	4,261
Operation of non-instructional services	2,661
Support services – business	2,342
Support services – school administration	1,363
Support services – instructional staff	1,032
Support services – general administration	119
Support services – students	113
Total depreciation expense – governmental activities	\$ 665,764

(8) Deferred Outflows and Inflows of Resources

District’s deferred outflows and inflows of resources as of June 30, 2018 are comprised of the following (in thousands):

	Deferred Outflows	Deferred Inflows
Debt refunding charges	\$ 97,601	\$ 17,728
Pension contributions subsequent to measurement date	584,596	–
OPEB contributions subsequent to measurement date	395,815	–
Difference in contribution	4,489	–
Unamortized differences between projected and actual earnings on plan investments	883,329	928,824
Unamortized differences between expected and actual experience	96,473	95,963
Unamortized differences arising from changes of assumptions	1,212,014	1,813,153
Unamortized differences arising from change in proportion of net pension liability	80,734	439,610
Unamortized differences arising from change in proportion of deferred outflow	7,156	–
Unamortized differences arising from change in proportion of deferred inflow	–	15,837
Total	\$ 3,362,207	\$ 3,311,115

(9) 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.

LOS ANGELES UNIFIED SCHOOL DISTRICT

Notes to Basic Financial Statements

Year Ended June 30, 2018

Retirement Plans

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

The District's total net pension liability at June 30, 2018 is summarized in the following table (in thousands):

CalPERS – Safety Plan	\$ 119,712
CalPERS – Miscellaneous Plan	1,945,775
CalSTRS	<u>4,906,064</u>
Total	<u><u>\$ 6,971,551</u></u>

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

Safety Plan

Plan Description and Benefits Provided

The District contributes to an agent multiple-employer plan for Safety, the Public Employees' Retirement Fund (PERF) – Safety Plan, a defined benefit pension plan administered by CalPERS. The plan provides service retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full time employment. Benefit provisions are established by state statutes, as legislatively amended, within the California Public Employees' Retirement Law.

The Safety Plan's provisions and benefits in effect at June 30, 2018, are summarized as follows:

	Safety	
	<u>Prior to</u> <u>January 1, 2013</u>	<u>On or after</u> <u>January 1, 2013</u>
Hiring date	3% @ 50	2.7% @ 57
Benefit formula	5 years service	5 years service
Benefit vesting schedule	monthly for life	monthly for life
Benefit payments	50	57
Retirement age: minimum	3.0%	2.70%
Monthly benefit, as a % of eligible compensation	9.00%	11.75%
Required employee contribution rates	33.138%	33.138%
Required employer contribution rates		

LOS ANGELES UNIFIED SCHOOL DISTRICT

Notes to Basic Financial Statements

Year Ended June 30, 2018

Employees Covered

At June 30, 2018, the following employees were covered by the benefit terms for the Safety Plan:

	<u>Safety</u>
Inactive employees or beneficiaries currently receiving the benefits	397
Inactive employees entitled to, but not yet receiving benefits	152
Active employees	<u>361</u>
Total	<u><u>910</u></u>

Contributions

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on July 1 following notice of a change in the rate. The total plan contributions are determined through CalPERS' annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The employer is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. Employer contribution rates may change if plan contracts are amended.

For the year ended June 30, 2018, the contributions to the Safety Plan amounted to \$11.1 million.

Net Pension Liability

The District's net pension liability for the Safety Plan of \$119.7 million at June 30, 2018 is measured as the total pension liability, less the pension plan's fiduciary net position. The net pension liability of the Safety Plan is measured as of June 30, 2017, using an annual actuarial valuation as of June 30, 2016 rolled forward to June 30, 2017 using standard update procedures. A summary of principal assumptions and methods used to determine the net pension liability of the Safety Plan is shown below.

LOS ANGELES UNIFIED SCHOOL DISTRICT

Notes to Basic Financial Statements

Year Ended June 30, 2018

The total pension liability in the June 30, 2016 actuarial valuations were determined using the following actuarial assumptions:

	<u>Safety</u>
Valuation date	June 30, 2016
Measurement date	June 30, 2017
Actuarial cost method	Entry-Age Normal
Actuarial assumptions	
Discount rate	7.15%
Inflation	2.75%
Salary increases	Varies by entry age and service
Investment rate of return	7.15% ⁽¹⁾
Mortality rate table ⁽²⁾	Derived using CalPERS' membership data for all funds
Post retirement benefit increase	Contract COLA up to 2.75% until purchasing power protection allowance floor on purchasing power applies, 2.75% thereafter

⁽¹⁾ Net of pension plan investment and administrative expenses; includes inflation.

⁽²⁾ The mortality table used was developed based on CalPERS' specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB. For more details on this table, please refer to the 2014 Experience Study report.

All other actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from 1997 to 2011, including updates to salary increases, mortality and retirement dates. The Experience Study report can be obtained at CalPERS' website under Forms and Publications.

Change of Assumptions

During the measurement period ended June 30, 2017, the discount rate was reduced from 7.65% to 7.15%.

Discount Rate

The discount rate used to measure the total pension liability of the Safety Plan was 7.15%. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing of the plans, the tests revealed the assets would not run out. Therefore, the current 7.15% discount rate is appropriate and the use of the municipal bond rate calculation is not deemed necessary. The long-term expected discount rate of 7.15% is applied to all plans in the PERF. The stress test results are presented in a detailed report called "GASB Crossover Testing Report" that can be obtained at CalPERS' website under the GASB 68 section.

LOS ANGELES UNIFIED SCHOOL DISTRICT

Notes to Basic Financial Statements

Year Ended June 30, 2018

The long-term expected rate of return on pension plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

In determining the long-term expected rate of return, CalPERS' staff took into account both short-term and long-term market return expectations as well as the expected pension fund (PERF) cash flows. Such cash flows were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. Using historical returns of all the funds' asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

The table below reflects long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. The target allocation shown was adopted by the CalPERS Board effective on July 1, 2014.

Asset Class	Safety		
	Current Target Allocation	Real Return Years 1 - 10 ^(a)	Real Return Years 11+ ^(b)
Global Equity	47.00%	4.90%	5.38%
Global Fixed Income	19.00	0.80	2.27
Inflation Sensitive	6.00	0.60	1.39
Private Equity	12.00	6.60	6.63
Real Estate	11.00	2.80	5.21
Infrastructure and Forestland	3.00	3.90	5.36
Liquidity	2.00	(0.40)	(0.90)
Total	<u>100.00%</u>		

^(a) An expected inflation of 2.50% used for this period.

^(b) An expected inflation of 3.00% used for this period.

LOS ANGELES UNIFIED SCHOOL DISTRICT

Notes to Basic Financial Statements

Year Ended June 30, 2018

Changes in the Net Pension Liability

The changes in the net pension liability for the Safety Plan are as follows (in thousands):

	Safety		
	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability/(Asset)
Balance at June 30, 2017	\$ 354,943	\$ 252,769	\$ 102,174
Changes recognized for the measurement period:			
Service cost	10,331	-	10,331
Interest on the total pension liability	26,815	-	26,815
Differences between expected and actual experience	(1,831)	-	(1,831)
Changes of assumptions	23,771	-	23,771
Plan to plan resource movement	-	(15)	15
Contributions from the employer	-	9,711	(9,711)
Contributions from employees	-	3,352	(3,352)
Net investment income	-	28,873	(28,873)
Benefit payments, including refunds of employee contributions	(14,041)	(14,041)	-
Administrative expense	-	(373)	373
Net changes	45,045	27,507	17,538
Balance at June 30, 2018	<u>\$ 399,988</u>	<u>\$ 280,276</u>	<u>\$ 119,712</u>

Sensitivity of the District's Net Pension Liability to Changes in the Discount Rate

The following presents the District's net pension liability for the Safety plan as of the measurement date, calculated using the discount rate of 7.15%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.15%) or 1-percentage-point higher (8.15%) than the current rate (in thousands):

	Safety		
	1.00% Decrease (6.15%)	Current Discount Rate (7.15%)	1.00% Increase (8.15%)
	District's net pension liability	\$ 178,623	\$ 119,712

Pension Plan Fiduciary Net Position

Detailed information about each pension plan's fiduciary net position is available in the separately issued CalPERS financial reports. Copies of the CalPERS annual financial report may be obtained from 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, 2018

Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended June 30, 2018, the District recognized pension expense of \$22.3 million for the Safety Plan. As of June 30, 2018, the District reported deferred outflows and deferred inflows of resources related to pensions (Safety Plan) as follows (in thousands):

	<u>Safety</u>	
	<u>Deferred</u>	<u>Deferred</u>
	<u>Outflows of</u>	<u>Inflows of</u>
	<u>Resources</u>	<u>Resources</u>
Changes of assumptions	\$ 18,920	\$ 2,272
Differences between expected and actual experience	6,802	3,225
Net difference between projected and actual earnings on pension plan investments	16,131	12,955
District contributions subsequent to the measurement date	11,057	—
Total	<u>\$ 52,910</u>	<u>\$ 18,452</u>

The amounts above are net of outflows and inflows recognized in the 2016-17 measurement period expense.

The \$11.1 million reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2019. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in future pension expense as follows (in thousands):

	<u>Safety</u>	
	<u>Deferred Outflows</u>	
	<u>(Inflows) of Resources</u>	
<u>Year ended June 30</u>		
2019	\$	4,402
2020		8,855
2021		8,074
2022		2,070

Payable to the Pension Plan

The District's contribution for all members to the Safety Plan for the fiscal year ended June 30, 2018 was in accordance with the required contribution rate calculated by the CalPERS actuary. Hence, no payable to the pension plan is recognized for the fiscal year ended June 30, 2018.

LOS ANGELES UNIFIED SCHOOL DISTRICT

Notes to Basic Financial Statements

Year Ended June 30, 2018

Miscellaneous Plan

Plan Description and Benefits Provided

The District contributes to a cost-sharing multiple-employer plan, the Public Employees' Retirement Fund (PERF) Miscellaneous Plan, a defined benefit pension plan administered by CalPERS. The plan provides service retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full time employment. Benefit provisions are established by state statutes, as legislatively amended, within the Public Employees' Retirement Law.

The Miscellaneous Plan's provisions and benefits in effect at June 30, 2018, are summarized as follows:

	Miscellaneous	
	Prior to January 1, 2013	On or after January 1, 2013
Hiring date	2.0% @ 55	2.0% @ 62
Benefit formula	5 years service	5 years service
Benefit vesting schedule	monthly for life	monthly for life
Benefit payments	50	52
Retirement age: Minimum	1.10%	1.00%
Monthly benefit, as a % of eligible compensation	7.00%	7.00%
Required employee contribution rates	15.531%	15.531%
Required employer contribution rates		

Contributions

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on July 1 following notice of a change in the rate. The total plan contributions are determined through CalPERS' annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The employer is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. Employer contribution rates may change if plan contracts are amended.

For the year ended June 30, 2018, the contributions to the Miscellaneous Plan amounted to \$166.3 million.

LOS ANGELES UNIFIED SCHOOL DISTRICT

Notes to Basic Financial Statements

Year Ended June 30, 2018

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2018, the District reported a net pension liability of \$1.9 billion for its proportionate share of the net pension liability of the Miscellaneous Plan. The net pension liability of the Miscellaneous Plan was measured as of June 30, 2017, and the total pension liability for the Miscellaneous Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2016 rolled forward to June 30, 2017 using standard update procedures. The District's proportion of the net pension liability was based on the 2016-17 fiscal year employer contributions calculated by CalPERS. At June 30, 2017, the District's proportion was 8.15065%.

For the year ended June 30, 2018, the District recognized pension expense of \$302 million for the Miscellaneous Plan. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions (Miscellaneous Plan) from the following sources (in thousands):

	<u>Miscellaneous</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 71,528	\$ —
Difference between projected and actual earnings		
on pension plan investments	305,495	239,044
Change of assumption	284,211	24,467
Change in NPL proportion	—	75,155
Change in proportion of deferred outflow	(2,169)	—
Change in proportion of deferred inflow	—	(4,087)
District contributions subsequent to the measurement date	166,341	—
Total	<u>\$ 825,406</u>	<u>\$ 334,579</u>

The \$166.3 million reported as deferred outflows of resources related to District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2019. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in future pension expense as follows (in thousands):

	<u>Miscellaneous</u>
<u>Year ended June 30</u>	<u>Deferred Outflows (Inflows) of Resources</u>
2019	\$ 61,814
2020	173,710
2021	125,821
2022	(36,859)

LOS ANGELES UNIFIED SCHOOL DISTRICT

Notes to Basic Financial Statements

Year Ended June 30, 2018

Actuarial Methods and Assumptions

The total pension liability in the June 30, 2016 actuarial valuation was determined using the following actuarial assumptions:

	<u>Miscellaneous</u>
Valuation date	June 30, 2016
Measurement date	June 30, 2017
Actuarial cost method	Entry-Age Normal
Actuarial assumptions	
Discount rate	7.15%
Inflation	2.75%
Salary increases	Varies by entry age and service
Investment rate of return	7.15%
Mortality rate table ⁽¹⁾	Derived using CalPERS' membership data for all funds
Post retirement benefit	2.00% until purchasing power
Increase	protection allowance floor on purchasing power applies, 2.75% thereafter

⁽¹⁾ The mortality table used was developed based on CalPERS' specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB. For more details on this table, please refer to the 2014 Experience Study report (based on CalPERS demographic data from 1997-2011) available online at <https://www.calpers.ca.gov/docs/forms-publications/calpers-experience-study-2014.pdf>.

All other actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from 1997 to 2011, including updates to salary increase, mortality and retirement dates. The Experience Study report can be obtained at CalPERS website under Forms and Publications.

Change of Assumptions

During the measurement period ended June 30, 2017, the discount rate was reduced from 7.65% to 7.15%

Discount Rate

The discount rate used to measure the total pension liability of the Miscellaneous Plan was 7.15%. A projection of the expected benefit payments and contributions was performed to determine if assets would run out. The test revealed the assets would not run out. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability for the Schools Pool. The results of the crossover testing for the Schools Pool are presented in a detailed report that can be obtained at CalPERS' website.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

LOS ANGELES UNIFIED SCHOOL DISTRICT

Notes to Basic Financial Statements

Year Ended June 30, 2018

In determining the long-term expected rate of return, CalPERS' staff took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11+ years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

The table below reflects long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. The target allocation shown was adopted by the CalPERS Board effective on July 1, 2014.

Asset Class	Miscellaneous		
	Current Target Allocation	Real Return Years 1 - 10 ^(a)	Real Return Years 11+ ^(b)
Global Equity	47.00%	4.90%	5.38%
Global Fixed Income	19.00	0.80	2.27
Inflation Sensitive	6.00	0.60	1.39
Private Equity	12.00	6.60	6.63
Real Estate	11.00	2.80	5.21
Infrastructure and Forestland	3.00	3.90	5.36
Liquidity	2.00	(0.40)	(0.90)
Total	100.00%		

^(a) An expected inflation of 2.50% used for this period.

^(b) An expected inflation of 3.00% used for this period.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the District's proportionate share of the net pension liability for the Miscellaneous plan as of the measurement date, calculated using the discount rate of 7.15%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.15%) or 1-percentage-point higher (8.15%) than the current rate (in thousands):

	Miscellaneous		
	1.00% Decrease (6.15%)	Current Discount Rate (7.15%)	1.00% Increase (8.15%)

District's proportionate share of the net pension liability	\$ 2,862,859	\$ 1,945,775	\$ 1,184,978
---	--------------	--------------	--------------

LOS ANGELES UNIFIED SCHOOL DISTRICT

Notes to Basic Financial Statements

Year Ended June 30, 2018

Pension Plan Fiduciary Net Position

Detailed information about each pension plan’s fiduciary net position is available in the separately issued CalPERS financial reports. Copies of the CalPERS annual financial report may be obtained from CalPERS Fiscal Services Division, P.O. Box 942703, Sacramento, CA 94229-2703, or by calling (888) CalPERS (225-7377).

Payable to the Pension Plan

The District’s contribution for all members to the Miscellaneous Plan for the fiscal year ended June 30, 2018 was in accordance with the required contribution rate calculated by the CalPERS actuary. Hence, no payable to the pension plan is recognized for the fiscal year ended June 30, 2018.

(b) California State Teachers’ Retirement System (CalSTRS)

Plan Description and Benefits Provided

The District contributes to the CalSTRS, a cost-sharing multiple-employer public employee retirement system defined benefit pension plan and a tax-deferred supplemental program established and administered by the State Teachers’ Retirement Law (Section 22000 et seq.) of the California Education Code. The Teachers’ Retirement Fund (TRF) is a defined benefit pension plan under the CalSTRS. 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.

The Plan’s provisions and benefits in effect at June 30, 2018, are summarized as follows:

	On or before <u>December 31, 2012</u>	On or after <u>January 1, 2013</u>
Hiring date		
Benefit formula	2.0% @ 60	2.0% @ 62
Benefit vesting schedule	5 years service	5 years service
Benefit payments	monthly for life	monthly for life
Retirement age: Minimum	50-55 (30 years of service credit)	55 (5 years of service credit)
Monthly benefit, as a % of eligible compensation	1.1% - 2.4%	1.16% - 2.4%
Required employee contribution rates	10.25%	9.205%
Required employer contribution rates	14.43%	14.43%

Contributions

The District is required to contribute based on an actuarially determined rate using the entry age normal actuarial cost method. The actuarial methods and assumptions used for determining the rate are those adopted by the CalSTRS Teachers’ Retirement Board. Required member, employer and state contribution rates are set by the California Legislature and Governor and detailed in Teachers’

LOS ANGELES UNIFIED SCHOOL DISTRICT

Notes to Basic Financial Statements

Year Ended June 30, 2018

Retirement Law. Both the member and employer contributions are set as a percentage of employees' earnings.

Assembly Bill (AB 1469) enacted in Chapter 47, Statutes of 2014 is projected to fully fund the CalSTRS Defined Benefit (DB) Program in 32 years through shared contribution among CalSTRS members, employers and the State of California. Contribution increases will be phased in over several years with the first increases taking effect on July 1, 2014. Member contribution increases will be phased in over the next three years and increase by an additional 2.25% of payroll for CalSTRS 2% at 60 members and an additional 1.205% for CalSTRS 2% at 62 members. Employer contributions will increase from 8.25% to a total of 19.1%, phased in over the next seven years. State contributions will increase over the next three years to a total of 6.328%. AB 1469 grants the Teachers Retirement Board limited rate setting authority to adjust up or down state and employer contribution rates.

For the year ended June 30, 2018, the contributions to the CalSTRS' TRF amounted to \$407.2 million.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2018, the District reported a net pension liability of \$4.9 billion for its proportionate share of the CalSTRS net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the 2016-17 fiscal year employer contributions calculated by CalSTRS with consideration given to separately financed and irregular employer contributions relative to the projected contributions of all participating employer and nonemployer contributing entities. At June 30, 2017, the District's proportion was 5.305%.

For the year ended June 30, 2018, the District recognized pension expense of \$262.8 million. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources (in thousands):

	Deferred Outflows of Resources	Deferred Inflows of Resources
	<u> </u>	<u> </u>
Difference between expected and actual experience	\$ 18,143	\$ 92,738
Difference between projected and actual earnings	561,703	670,755
Change of assumption	908,883	—
Change in NPL proportion	80,734	364,455
Change in proportion of deferred outflow	9,325	—
Change in proportion of deferred inflow	—	19,924
Difference in contribution	4,489	—
District contributions subsequent to the measurement date	407,198	—
	<u> </u>	<u> </u>
Total	<u>\$ 1,990,475</u>	<u>\$ 1,147,872</u>

LOS ANGELES UNIFIED SCHOOL DISTRICT

Notes to Basic Financial Statements

Year Ended June 30, 2018

The \$407.2 million reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2019. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in future pension expense as follows:

<u>Year ended June 30</u>	<u>De ferred Outflows (Inflows) of Resources</u>
2019	\$ (23,630)
2020	182,789
2021	104,130
2022	(30,665)
2023	80,342
Thereafter	122,439

Actuarial Methods and Assumptions

The total pension liability for the CalSTRS' TRF was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2016, and rolling forward the total pension liability to June 30, 2017. The financial reporting actuarial valuation as of June 30, 2016, used the following actuarial methods and assumptions, applied to all prior periods included in the measurement:

Valuation Date	June 30, 2016
Experience Study	July 1, 2010 through June 30, 2015
Actuarial Cost Method	Entry age normal
Investment Rate of Return*	7.10%
Consumer Price Inflation	2.75%
Wage Growth	3.50%
Post-retirement Benefit Increases	2.00% simple for Defined Benefit (Annually)
	Maintain 85% purchasing power level for Defined Benefit
	Not applicable for Defined Benefit Supplement

*Net of investment expenses, but gross of administrative expenses. CalSTRS uses a 7.00% assumed investment rate of return for funding purposes, which is net of administrative expenses.

CalSTRS changed its mortality assumptions based on the July 1, 2010, through June 30, 2015, experience study adopted by the board in February 2017. CalSTRS uses a generational mortality assumption, which involves the use of a base mortality table and projection scales to reflect expected annual reductions in mortality rates at each age, resulting in increases in life expectancies each year into the future. The base mortality tables are CalSTRS custom tables derived to best fit the patterns of mortality among its members. The projection scale was set equal to 110 percent of the ultimate improvement factor from the Mortality Improvement Scale (MP-2016) table, issued by the Society of Actuaries.

LOS ANGELES UNIFIED SCHOOL DISTRICT

Notes to Basic Financial Statements

Year Ended June 30, 2018

Discount Rate

The discount rate used to measure the total pension liability of the CalSTRS' TRF was 7.10%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at statutory contribution rates. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (7.10%) and assuming that contributions and benefit payments occur mid year. Based on those assumptions, the CalSTRS' TRF fiduciary net pension was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. The best estimate ranges were developed using capital market assumptions from CalSTRS general investment consultant (Pension Consulting Alliance-PCA) as an input to the process. The actuarial investment rate of return assumption was adopted by the Board in February 2017 in conjunction with the most recent experience study. For each future valuation, CalSTRS consulting actuary (Milliman) reviews the return assumption for reasonableness based on the most current capital market assumptions. Best estimates of 20-year geometrically-linked real rates of return and the assumed asset allocation for each major asset class for the year ended June 30, 2017, are summarized in the following table:

Asset Class	Assumed Asset Allocation	Long-Term* Expected Real Rate of Return
Global Equity	47.00 %	6.30 %
Private Equity	13.00	9.30
Real Estate	13.00	5.20
Inflation Sensitive	4.00	3.80
Fixed Income	12.00	0.30
Absolute Return/Risk Mitigating Strategies	9.00	2.90
Cash/Liquidity	2.00	(1.00)
	100.00 %	

* 20-year geometric average

Differences between expected and actual experience and changes in assumptions are amortized over a closed period equal to the average remaining service life of plan members, which is seven years as of June 30, 2017. Deferred outflows and inflows related to differences between projected and actual earnings on plan investments are netted and amortized over a closed 5-year period.

LOS ANGELES UNIFIED SCHOOL DISTRICT

Notes to Basic Financial Statements

Year Ended June 30, 2018

Sensitivity of the District’s Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the District’s proportionate share of the net pension liability calculated using the discount rate of 7.10%, as well as what the District’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.10%) or 1-percentage-point higher (8.10%) than the current rate (in thousands):

	1.00% Decrease (6.10%)	Current Discount Rate (7.10%)	1.00% Increase (8.10%)
District's proportionate share of the net pension liability	\$ 7,203,660	\$ 4,906,064	\$ 3,041,410

Pension Plan Fiduciary Net Position

Detailed information about the pension plan’s fiduciary net position is available in the separately issued CalSTRS financial report. Copies of the CalSTRS annual financial report may be obtained from California State Teachers’ Retirement System, P.O. Box 15275, Sacramento, CA 95851-0275.

Payable to the Pension Plan

The District’s contribution for all members to the CalSTRS’ TRF for the fiscal year ended June 30, 2018 was in accordance with the required contribution rate calculated by the CalSTRS actuary. Hence, no payable to the pension plan is recognized for the fiscal year ended June 30, 2018.

(c) Public Agency Retirement System (PARS)

Plan Description

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

On July 1, 1992, the District joined the PARS, a multiple-employer retirement trust established by a coalition of public employers. The plan covers the District’s part-time, seasonal, temporary, and other employees not covered under CalPERS or CalSTRS, but whose salaries would otherwise be subject to Social Security tax. As of June 30, 2018, there are 41,278 District employees covered under PARS.

LOS ANGELES UNIFIED SCHOOL DISTRICT

Notes to Basic Financial Statements

Year Ended June 30, 2018

Benefit terms and other requirements are established by District management based on agreements with various bargaining units. PARS is a defined contribution qualified retirement plan under Section 401 (a) of the Internal Revenue Code.

The minimum total contribution is 7.50% of employees' salaries, of which the District and the employees contribute 3.75% each. For the year ended June 30, 2018, the District recognized pension expense of \$6.8 million. The District does not have any forfeited amounts.

The District's contributions for all members for the fiscal years ended June 30, 2018, 2017, and 2016 were in accordance with the required contributions.

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.

Postemployment Benefits – Health and Welfare for Retirees

Plan Description

The District contributes to an agent multiple-employer plan. The plan provides other postemployment health care benefits in accordance with collective bargaining unit agreements and Board rules. Certificated and classified employees who retire from the District receiving a CalSTRS/CalPERS retirement allowance (for either age or disability) may be eligible to continue coverage under the District-sponsored hospital/medical, dental, and vision plans which cover both active and retired members and their eligible dependents. The following are the eligibility requirements:

- a. Those hired prior to March 11, 1984 must have served a minimum of five consecutive qualifying years immediately prior to retirement.
- b. Those hired from March 11, 1984 through June 30, 1987 must have served a minimum of 10 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 10 consecutive qualifying years immediately prior to retirement plus an additional previous 10 years which are not consecutive.
- d. Those hired from June 1, 1992 through February 28, 2007 must have at least 80 years combined total of qualifying service and age. For those employees that have a break in service, this must include 10 consecutive years immediately prior to retirement.
- e. Those hired from March 1, 2007 through March 31, 2009 must have at least 80 years combined total of qualifying service and age. In addition, the employee must have 15 consecutive years of qualifying service immediately prior to retirement.
- f. Those hired on or after April 1, 2009, except School Police, must have at least 85 years combined total of qualifying service and age. In addition, the employee must have a minimum of 25 consecutive years of qualifying service immediately prior to retirement.

LOS ANGELES UNIFIED SCHOOL DISTRICT

Notes to Basic Financial Statements

Year Ended June 30, 2018

- g. School Police (sworn personnel) hired on or after April 1, 2009 must have at least 80 years combined total of qualifying service and age. In addition, the employee must have a minimum of 20 consecutive years of qualifying service immediately prior to retirement.
- h. Associated Administrators of Los Angeles (AALA) Certificated employees, Service Employees International Union (SEIU) and California School Employees Association (CSEA) members hired on or after July 1, 2018 must have at least 87 years combined total of qualifying service and age. In addition, the employee must have a minimum of 30 consecutive years of qualifying service immediately prior to retirement.

Qualifying years of service consist of school years in which an employee was in “paid status” for at least 100 full-time days and eligible for District-sponsored health care benefits.

To receive retiree medical benefits, an individual must:

- a. Be enrolled in active medical benefits at the date of retirement.
- b. Retire in accordance with the eligibility rules of the applicable retirement system (CalSTRS or CalPERS).
- c. Receive a monthly pension payment from the state retirement system (CalSTRS or CalPERS).
- d. Comply with the Medicare requirements of the District plans. Lack of Medicare does not impact dental or vision coverage.

Eligible dependents are also covered for the life of the retiree. Upon the retiree’s death, eligible dependents may continue coverage under the plan but will generally have to pay 100% of premium and plan costs.

Employees Covered

As of June 30, 2017 actuarial valuation, the following current and former employees were covered by the benefit terms under the District’s OPEB Plan:

Active employees	60,730
Inactive employees or beneficiaries currently receiving benefits	38,502
Inactive employees entitled to, but not yet receiving benefits	<u>69</u>
Total	<u><u>99,301</u></u>

Contributions

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.

Moreover, the District established in fiscal year 2013-14 an irrevocable other postemployment benefits (OPEB) trust with CalPERS – California Employers’ Retiree Benefit Trust (CERBT) to address its fiscal obligation in relation to its OPEB liability. Contributions to the OPEB trust will be calculated annually and

LOS ANGELES UNIFIED SCHOOL DISTRICT

Notes to Basic Financial Statements

Year Ended June 30, 2018

are governed by the District's Budget and Finance Policy wherein such contributions will be subject to maintaining an Unrestricted General Fund balance of 5.00% of the unrestricted revenue.

Detailed information about the CERBT is available in the separately issued CalPERS financial reports. Copies of the CalPERS annual financial report may be obtained from CalPERS Fiscal Services Division, P.O. Box 942703, Sacramento, CA 94229-2703, or by calling (888) CalPERS (225-7377).

For fiscal year 2017-18, the District contributed a total of \$395.8 million to the plan that includes \$120 million contributed to the OPEB trust.

Healthcare Reform Act

The Patient Protection and Affordable Care Act and the Health Care and Education Reconciliation Act of 2010, collectively referred to as the Health Care Reform Act of 2010 ("The Act"), were signed into law in March 2010. The Act imposes a 40.00% excise tax on employers that carry "Cadillac healthcare plans" beginning in 2022. The tax is applied to the amount of premium in excess of stated single (\$10,200) and family (\$27,500) thresholds. The District's actuary considered the potential additional costs due to the reduced funding on Medicare Advantage Plans by the federal government and excise taxes on high cost plans and these are included in the actuary's valuation of liabilities.

LOS ANGELES UNIFIED SCHOOL DISTRICT

Notes to Basic Financial Statements

Year Ended June 30, 2018

Net OPEB Liability

The District's net OPEB liability of \$15.2 million at June 30, 2018 is measured as the total OPEB liability, less the OPEB plan's fiduciary net position. The net OPEB liability is measured using a biennial actuarial valuation as of June 30, 2017. The total OPEB liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions:

Valuation date	July 1, 2017
Measurement date	June 30, 2017
Actuarial cost method	Entry Age Normal Cost
Discount rate	3.60%
Inflation	2.75% per annum
Salary increases	1997-2011 CalPERS Experience Study
Investment rate of return	7.28%
Mortality rate ¹	Base rates used in the most recent CalSTRS valuation and developed in the 1997-2011 CalPERS Experience Study, as applicable. Projected improvement is based on scale MP-2017
Pre-retirement turnover ¹	Turnover rates used in the most recent CalSTRS valuation and developed in the 1997-2011 CalPERS Experience Study, as applicable.
Healthcare trend rate	Non-Medicare Advantage Plans Pre-65 [(1.18%) - 5.00%]; Post 65 [4.69% - 5.00%] Medicare Advantage Plans Post 65 Kaiser [6.58% - 5.00%]; UHC [5.54% - 5.00%] Dental & Vision - 5.00%

⁽¹⁾The Experience Study report may be accessed on the CalPERS website www.calpers.ca.gov under Forms and Publications.

Changes of Assumptions

During the measurement period ended June 30, 2017, the discount rate was reduced from 4.7% to 3.6%. The mortality base rates were updated per the most recent CalSTRS and CalPERS valuations. The mortality improvement was updated from scale MP-2014 to MP-2017. The rates for turnover, retirement, and disability were also updated per the most recent CalSTRS valuations during the measurement period ended June 30, 2017.

Discount Rate

The discount rate is based on a single equivalent rate that reflects a blend of expected return on assets during the period such that assets are projected to be sufficient to pay benefits of current participants; and 20-year municipal bond yields/index for periods beyond the depletion of the assets.

Based on the District's current funding policy, projected cash flows, and the assumed asset return, the plan assets are projected to be depleted in 2025. This results in a single equivalent rate of 3.60% as of July 1, 2017, which reflects the assumed asset return until asset depletion and municipal bond rates thereafter. The municipal bond rate is based on the Bond Buyer General Obligation 20-Bond Municipal Bond Index and the rate was 3.58% as of July 1, 2017.

LOS ANGELES UNIFIED SCHOOL DISTRICT

Notes to Basic Financial Statements

Year Ended June 30, 2018

The long-term expected rate of return on OPEB plan investments was based on CalPERS' expected return for California Employers' Retirement Benefit Trust Strategy 1.

The table below reflects long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation.

Asset Class	Target Allocation ⁽¹⁾	1-10 Year Expected Real Rate of Return ⁽²⁾	11-60 Year Expected Real Rate of Return ⁽³⁾
Global Equity	57.00%	5.25%	5.71%
Fixed Income	27.00	1.79	2.40
Treasury Inflation Protected Securities (TIPS)	5.00	1.00	2.25
Real Estate Investment Trusts (REITs)	8.00	3.25	7.88
Commodities	3.00	0.34	4.95
Total	100.00%		

⁽¹⁾ Allocation approved by the Board at the October 2017 Investment Committee meeting

⁽²⁾ Real rates of return come from a geometric representation of returns that assume a general inflation rate of 2.50%.

⁽³⁾ Real rates of return come from a geometric representation of returns that assume a general inflation rate of 3.00%.

Changes in the OPEB Liability

The changes in the net OPEB liability for the plan are as follows (in thousands):

	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a-b)
Beginning Balance at June 30, 2017	\$ 16,413,979	\$ 145,238	\$ 16,268,741
Changes recognized for the measurement period			
Service cost	634,089	—	634,089
Interest on the total OPEB liability	490,582	—	490,582
Changes of assumptions	(2,061,247)	—	(2,061,247)
Benefit payments	(264,763)	(264,763)	—
Contributions – employer	—	342,763	(342,763)
Net investment income	—	20,995	(20,995)
Other expenses – administrative expense	—	(103)	103
Net changes	(1,201,339)	98,892	(1,300,231)
Balance at June 30, 2018	\$ 15,212,640	\$ 244,130	\$ 14,968,510

LOS ANGELES UNIFIED SCHOOL DISTRICT

Notes to Basic Financial Statements

Year Ended June 30, 2018

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate

The following table illustrates the impact of interest rate sensitivity on the Net OPEB Liability of the District if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate for fiscal year ended June 30, 2018 (in thousands):

	1.00% Decrease <u>(2.60%)</u>	Current Discount Rate <u>(3.60%)</u>	1.00% Increase <u>(4.60%)</u>
Net OPEB liability	\$ 18,029,874	\$ 14,968,510	\$ 12,570,429

Sensitivity of the Net OPEB Liability to Changes in the Health Care Cost Trend Rates

The following presents the net OPEB liability of the District if it were calculated using health care cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current rate, for measurement period ended June 30, 2018 (in thousands):

	1.00% Decrease <u></u>	Trend Rate <u></u>	1.00% Increase <u></u>
Net OPEB liability	\$ 12,225,331	\$ 14,968,510	\$ 18,626,128

OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the fiscal year ended June 30, 2018, the District recognized OPEB expense of \$835 million. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources (in thousands):

	Deferred Outflows of Resources <u></u>	Deferred Inflows of Resources <u></u>
Difference between expected and actual earnings on OPEB plan investments	\$ —	\$ 6,070
Changes of assumptions	—	1,786,414
District contributions subsequent to the measurement date	395,815	—
Total	<u>\$ 395,815</u>	<u>\$ 1,792,484</u>

LOS ANGELES UNIFIED SCHOOL DISTRICT

Notes to Basic Financial Statements

Year Ended June 30, 2018

The table below lists the amortization bases included in the deferred outflows/inflows as of June 30, 2018 (in thousands):

Date <u>Established</u>	Type of Base	Period		Balance		Annual Payment
		<u>Original</u>	<u>Remaining</u>	<u>Original</u>	<u>Remaining</u>	
6/30/2017	Asset (Gain)/Loss	5.00	4.00	\$ (7,587)	\$ (6,070)	\$ (1,517)
6/30/2017	Assumptions	7.50	6.50	(2,061,247)	(1,786,414)	(274,833)
	Total Charges				<u>\$(1,792,484)</u>	<u>\$(276,350)</u>

Amounts recognized in the deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in the OPEB expense as follows (in thousands):

<u>Year ended June 30</u>	<u>Deferred Outflows (Inflows) of Resources</u>
2019	\$ (276,350)
2020	(276,350)
2021	(276,350)
2022	(276,350)
2023	(274,833)
Thereafter	(412,251)

(10) Risk Management

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

Excess insurance has been purchased for physical property loss damages, which currently provides \$1 billion limit above a \$500,000 self-insurance retention. Excess insurance has been purchased for general liability, which currently provides \$35 million limit above a \$5 million self-insurance retention. No settlements exceeded insurance coverage in the last five fiscal years that ended June 30, 2018.

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

LOS ANGELES UNIFIED SCHOOL DISTRICT

Notes to Basic Financial Statements

Year Ended June 30, 2018

The District has also purchased contractors' pollution liability insurance coverage for the construction program. The policy protects contractors and the District from losses resulting from pollution liability related incidents occurring during construction. The policy provides optional coverage to ensure that site 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, 2018, the amount of the total claims liabilities recorded for health and welfare, workers' compensation, and liability self-insurance was \$621.1 million. Changes in the reported liabilities since July 1, 2016 are summarized as follows (in thousands):

	Beginning of Fiscal Year Liability	Current Year Claims and Changes in Estimates	Claim Payments	End of Fiscal Year Liability
2017-2018				
Health and welfare benefits	\$ 22,907	\$ 260,008	\$ (257,117)	\$ 25,798
Workers' compensation self-insurance	495,648	67,608	(107,850)	455,406
Liability self-insurance	132,408	26,187	(18,651)	139,944
Total	<u>\$ 650,963</u>	<u>\$ 353,803</u>	<u>\$ (383,618)</u>	<u>\$ 621,148</u>
2016-2017				
Health and welfare benefits	\$ 21,399	\$ 248,750	\$ (247,242)	\$ 22,907
Workers' compensation self-insurance	492,387	104,385	(101,124)	495,648
Liability self-insurance	213,758	36,680	(118,030)	132,408
Total	<u>\$ 727,544</u>	<u>\$ 389,815</u>	<u>\$ (466,396)</u>	<u>\$ 650,963</u>

LOS ANGELES UNIFIED SCHOOL DISTRICT

Notes to Basic Financial Statements

Year Ended June 30, 2018

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

The District has entered into Certificates of Participation (COPs) for the acquisition of the new administration building, warehouse, school sites, relocatable classroom buildings, furniture and equipment; modernization, rehabilitation and repair of certain facilities; replacement of the legacy financial and procurement systems; and automation of certain business processes. The COPs outstanding as of June 30, 2018 are as follows (in thousands):

COP Issue	Sale Date	Original Principal Amount	Outstanding June 30, 2018	Interest Rates to Maturity		Final Maturity
				Min	Max	
2005 Qualified Zone Academy Bonds	12/13/2005	\$ 10,000	\$ 10,000	N/A	N/A	2020
2010B-1 Federally Taxable Direct Pay Build America Bonds, Capital Projects I	12/21/2010	21,615	21,615	7.663 (a)	8.525 (a)	2035
2010B-2 Tax-Exempt, Capital Projects I	12/21/2010	61,730	21,145	5.000	5.750	2020
2012A Refunding Headquarters Building Projects	6/12/2012	87,845	55,105	3.750	5.000	2031
2012B Refunding Headquarters Building Projects	6/12/2012	72,345	70,265	2.125	5.000	2031
2013A Refunding Lease	6/24/2013	24,780	17,845	2.290	2.290	2028
			\$ 195,975 *			

* The total amount shown above excludes net unamortized premium of \$6.2 million.

(a) Issued under Build America Bonds (BABs), a taxable bond program for which the federal government initially subsidized 35% of the interest cost.

In prior years, the District defeased certain sinking fund payments for its 2005 Certificates of Participation (Qualified Zone Academy Bonds) by placing proceeds of general obligation bonds, interest earnings on all said deposits, and interest earnings on forward delivery agreements into the sinking fund account held by the trustee to provide for the payment of the 2005 Certificates of Participation (Qualified Zone Academy Bonds) at maturity. While the District's financial statements indicate that the full principal amount of the 2005 Certificates of Participation (Qualified Zone Academy Bonds) are outstanding as of June 30, 2018, a total of \$8.1 million of accumulated sinking fund payments have been made, which reflects the portion of the COPs 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 and transportation 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 12 – Long-Term Obligations.

The District's operating leases consist of various leased facilities. The leased facilities have varying terms ranging from two years to 80 years. Some leases are month to month. The leases expire over the next 65 years subject to renewal option provisions.

LOS ANGELES UNIFIED SCHOOL DISTRICT

Notes to Basic Financial Statements

Year Ended June 30, 2018

The total expenditure for all operating leases amounted to \$8.1 million in fiscal year 2017-18. The future minimum commitments for noncancelable operating lease of the District as of June 30, 2018 are as follows (in thousands):

<u>Fiscal year ending</u>	<u>Amount</u>
2019	\$ 5,739
2020	5,656
2021	3,862
2022	3,452
2023	3,711
2024-2028	13,390
2029-2033	15,107
2034-2038	18,038
2039-2043	11,757
2044-2048	9,705
2049-2053	10,715
2054-2058	11,830
2059-2063	13,062
2064-2068	14,421
2069-2073	15,922
2074-2078	17,579
2079-2083	16,823
	<u>\$ 190,769</u>

(12) Long-Term Obligations

The following is a summary of changes in long-term obligations for the year ended June 30, 2018 (in thousands):

	<u>Balance, July 1, 2017</u>	<u>Additions</u>	<u>Deductions</u>	<u>Other Changes**</u>	<u>Balance, June 30, 2018</u>	<u>Due Within One Year</u>	<u>Interest Expense</u>
General Obligation Bonds*	\$ 10,520,277	\$ 1,350,000	\$ 560,960	80,829	\$ 11,390,146	\$ 522,270	\$ 393,208
Certificates of Participation (Note 11)*	243,219	-	39,535	(1,492)	202,192	16,638	8,652
Capital Lease Obligations	1,005	112	441	-	676	356	39
Children Center Facilities Revolving Loan	316	-	78	-	238	79	-
Liability for Compensated Absences	70,665	67,914	73,596	-	64,983	1,377	-
Liability for Other Employee Benefits	52,251	4,168	3,872	-	52,547	4,329	-
Self-Insurance Claims (Note 10)	650,963	353,803	383,618	-	621,148	208,209	-
Arbitrage Payable	583	837	-	-	1,420	-	-
Total	<u>\$ 11,539,279</u>	<u>\$ 1,776,834</u>	<u>\$ 1,062,100</u>	<u>\$ 79,337</u>	<u>\$ 12,333,350</u>	<u>\$ 753,258</u>	<u>\$ 401,899</u>

* The amounts shown above include unamortized premiums and discounts.

** Premium on bonds and premium and discount amortization.

LOS ANGELES UNIFIED SCHOOL DISTRICT

Notes to Basic Financial Statements

Year Ended June 30, 2018

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	Interest	Principal	Interest	Principal	Principal	Interest
2019	\$ 404,675	\$ 522,301	\$ 15,786	\$ 9,099	\$ 79	\$ 420,540	\$ 531,400
2020	413,140	513,354	16,373	8,308	79	429,592	521,662
2021	436,425	493,047	26,870	7,500	80	463,375	500,547
2022	462,815	471,582	10,726	6,832	—	473,541	478,414
2023	496,900	448,228	11,127	6,304	—	508,027	454,532
2024-2028	3,291,395	1,827,558	57,800	23,410	—	3,349,195	1,850,968
2029-2033	2,828,480	1,047,395	52,195	8,340	—	2,880,675	1,055,735
2034-2038	1,770,600	264,496	5,774	724	—	1,776,374	265,220
2039-2043	499,720	59,727	—	—	—	499,720	59,727
	<u>\$ 10,604,150</u>	<u>\$ 5,647,688</u>	<u>\$ 196,651</u>	<u>\$ 70,517</u>	<u>\$ 238</u>	<u>\$ 10,801,039</u>	<u>\$ 5,718,205</u>

LOS ANGELES UNIFIED SCHOOL DISTRICT

Notes to Basic Financial Statements

Year Ended June 30, 2018

The General Obligation (GO) Bonds outstanding balance as of June 30, 2018 consists of the following (in thousands):

<u>Bond Issue</u>	<u>Sale Date</u>	<u>Original Principal Amount</u>	<u>Outstanding June 30, 2018</u>	<u>Interest Rates to Maturity</u>		<u>Final Maturity</u>
				<u>Min</u>	<u>Max</u>	
2005A-1 Refunding	7/20/2005	\$ 346,750	\$ 38,035	5.50%	5.50%	2018
2005A-2 Refunding	7/20/2005	120,925	14,790	5.50	5.50	2018
Election of 2002, D (2009)	2/19/2009	250,000	193,480	4.50	5.30	2034
Election of 2004, I (2009)	2/19/2009	550,000	429,485	5.00	5.25	2034
Election of 2005, F (2009)	2/19/2009	150,000	116,315	3.60	5.25	2034
KRY (2009-BAB)	10/15/2009	1,369,800	1,369,800	5.75 (a)	5.76 (a)	2034
KRY (2009-TE)	10/15/2009	205,785	23,790	4.00	5.00	2020
2009A Refunding	10/15/2009	74,765	23,635	5.00	5.00	2019
Election of 2005, H (2009)	10/15/2009	318,800	318,800	1.54	1.54	2025
KRY (2010-TE)	3/4/2010	478,575	432,865	4.00	5.25	2034
RY (2010-BAB)	3/4/2010	1,250,585	1,250,585	6.76 (a)	6.76 (a)	2034
KY (2010)	5/6/2010	159,495	1,510	3.25	3.25	2018
Election of 2005, J-1 (2010)	5/6/2010	190,195	190,195	5.98	5.98	2027
Election of 2005, J-2 (2010)	5/6/2010	100,000	100,000	5.72	5.72	2027
2011A-1 Refunding	11/1/2011	206,735	126,360	4.00	5.00	2024
2011A-2 Refunding	11/1/2011	201,070	143,980	4.00	5.00	2023
2012A Refunding	5/8/2012	156,000	125,535	2.00	5.00	2028
2014A Refunding	6/26/2014	196,850	109,940	5.00	5.00	2022
2014B Refunding	6/26/2014	323,170	283,135	5.00	5.00	2026
2014C Refunding	6/26/2014	948,795	909,360	2.00	5.00	2031
2014D Refunding	6/26/2014	153,385	153,385	5.00	5.00	2030
Election of 2005, K (2014)	8/19/2014	35,465	8,035	1.00	5.00	2020
2015A Refunding	5/28/2015	326,045	318,085	5.00	5.00	2025
Election of 2008, A (2016)	4/5/2016	648,955	633,510	3.00	5.00	2040
2016A Refunding	4/5/2016	577,400	528,605	3.00	5.00	2030
2016B Refunding	9/15/2016	500,855	500,855	2.00	5.00	2032
2017A Refunding	5/25/2017	1,080,830	1,057,635	2.00	5.00	2027
Election of 2005, Series M-1 (2018)	3/8/2018	117,005	117,005	2.00	5.25	2042
Election of 2008, Series B-1 (2018)	3/8/2018	1,085,440	1,085,440	4.00	5.25	2042
			<u>\$ 10,604,150</u>			*

* The total amount shown above excludes unamortized premium and discount of \$786.0 million.

(a) Issued under Build America Bonds (BABs), a taxable bond program for which the federal government initially subsidized 35% of the interest cost.

On March 8, 2018, the District issued \$1.35 billion of new money General Obligation Bonds consisting of four series:

1. Election of 2005, Series M-1 (2018) (Tax-Exempt) for \$117.0 million;
2. Election of 2005, Series M-2 (2018) (Federally Taxable) for \$12.9 million with maturity date of May 1, 2018;
3. Election of 2008, Series B-1 (2018) (Tax-Exempt) for \$1,085.4 million;
4. Election of 2008, Series B-2 (2018) (Federally Taxable) for \$134.6 million with maturity date of May 1, 2018.

LOS ANGELES UNIFIED SCHOOL DISTRICT

Notes to Basic Financial Statements

Year Ended June 30, 2018

The bonds received underlying ratings of “Aa2” from Moody’s. Fitch gave underlying ratings of “AAA” and “F1+” for Tax-Exempt Bonds and Federally Taxable bonds, respectively. Under this phase of the District’s capital program, the bond proceeds will be used to modernize, build and repair school facilities to improve student health, safety and educational quality.

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 10 equal installments to commence on July 1, 2012 and each year thereafter until July 1, 2021.

The arbitrage payable balance reflects amounts due to the United States Treasury in order to comply with Internal Revenue Code Section 148(f). When the District issues tax-exempt debt, Internal Revenue Service (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 United States 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. As of June 30, 2018, \$1.420 million positive net rebate liability and yield restriction liability was accrued for the General Obligation Bonds, Election of 2004, Series J (2014) and Election of 2005, Series K (2014). However, no arbitrage or yield reduction payment is due to IRS.

Debt Liquidation

Payments on the General Obligation Bonds and Certificates of Participation are made through the debt service funds. The employee benefits liability for retirement bonus are all paid out of the General Fund, while the compensated absences portion are liquidated from different governmental funds and proprietary funds. In fiscal year 2018, approximately 92% of compensated absences has been paid by the General Fund, 7% by the District Bonds Fund, and 1% by the proprietary funds.

The self-insurance claims and other postemployment benefits are generally liquidated through the internal service funds which finance the payment of those claims and benefits by charging user funds. The General Fund assumes 100% of liability self-insurance claims. For workers’ compensation and health benefit claims, including retiree health benefits, the General Fund currently bears approximately 89% of the cost, while the Cafeteria Fund carries 5%; no other individual fund is charged more than 3% of the total amount.

LOS ANGELES UNIFIED SCHOOL DISTRICT

Notes to Basic Financial Statements

Year Ended June 30, 2018

(13) Interfund Transactions

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

Interfund receivables/payables are eliminated on the government-wide statement of net position but are reported on the fund financial statements. These consist of borrowings between funds to cover temporary cash insufficiencies and permit payment of obligations. Interfund receivables and payables at June 30, 2018 are as follows (in thousands):

<u>Fund Group</u>	<u>Fund</u>	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
General	Unrestricted	\$ 10,000	\$ —
	Total General	<u>10,000</u>	<u>—</u>
Special Revenue	Child Development	<u>—</u>	<u>10,000</u>
	Total Special Revenue	<u>—</u>	<u>10,000</u>
	Total Interfund Receivables/Payables	<u>\$ 10,000</u>	<u>\$ 10,000</u>

LOS ANGELES UNIFIED SCHOOL DISTRICT

Notes to Basic Financial Statements

Year Ended June 30, 2018

(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 through which resources are to be expended. Transfers between funds for the year ended June 30, 2018 were as follows (in thousands):

From	To	Purpose	Amount
General Fund	Adult Education Fund	Transfer of balance	39
General Fund	Child Development Fund	Child development support	24,832
General Fund	Cafeteria Fund	Cafeteria support	1,067
General Fund	Building Fund – Measure R	Reimbursement of capital expenditures	8
General Fund	Building – Measure Y	Reimbursement of capital expenditures	688
General Fund	Building Fund – Measure Q	Reimbursement of capital expenditures	1,108
General Fund	Building Fund – Measure Q	Reimbursement of capital expenditures	1,006
General Fund	Special Reserve Fund	Reimbursement of capital expenditures	2
General Fund	Special Reserve Fund	Reimbursement of capital expenditures	187
General Fund	Capital Services Fund	Debt service	25,657
Adult Education Fund	General Fund	Transfer of balance	15
Building Fund – Measure R	General Fund	Reimbursement of capital expenditures	280
Building Fund – Measure R	Building Fund – Measure K	Reimbursement of capital expenditures	6
Building Fund – Measure R	Building – Measure Y	Reimbursement of capital expenditures	494
Building Fund – Measure R	Building Fund – Measure Q	Reimbursement of capital expenditures	3
Building Fund – Measure R	County School Facilities – Prop 47	Reimbursement of capital expenditures	427
Building Fund – Measure R	Special Reserve Fund	Reimbursement of capital expenditures	-
Building Fund – Bond Proceeds	Building - Measure Y	Reimbursement of capital expenditures	10
Building Fund – Bond Proceeds	County School Facilities – Prop 47	Reimbursement of capital expenditures	3,713
Building Fund – Measure K	Building Fund – Measure R	Reimbursement of capital expenditures	129
Building Fund – Measure K	Building – Measure Y	Reimbursement of capital expenditures	416
Building Fund – Measure K	Building Fund – Measure Q	Reimbursement of capital expenditures	7,896
Building Fund – Measure K	County School Facilities – Prop 47	Reimbursement of capital expenditures	529
Building Fund – Measure K	Special Reserve Fund	Reimbursement of capital expenditures	527
Building – Measure Y	General Fund	Reimbursement of capital expenditures	69
Building – Measure Y	Building Fund – Measure R	Reimbursement of capital expenditures	58
Building – Measure Y	Building Fund – Measure K	Reimbursement of capital expenditures	53
Building – Measure Y	Building Fund – Measure Q	Reimbursement of capital expenditures	2,549
Building – Measure Y	County School Facilities – Prop 47	Reimbursement of capital expenditures	1,495
Building – Measure Y	Special Reserve Fund	Reimbursement of capital expenditures	11
Building Fund – Measure Q	General Fund	Reimbursement of capital expenditures	18,552
Building Fund – Measure Q	Building Fund – Measure R	Reimbursement of capital expenditures	480
Building Fund – Measure Q	Building Fund – Measure K	Reimbursement of capital expenditures	3
Building Fund – Measure Q	Building – Measure Y	Reimbursement of capital expenditures	444
Building Fund – Measure Q	County School Facilities – Prop 47	Reimbursement of capital expenditures	118
Building Fund – Measure Q	Special Reserve Fund	Reimbursement of capital expenditures	1,572
Capital Facilities Fund	Building Fund – Measure R	Reimbursement of capital expenditures	249
Capital Facilities Fund	Building – Measure Y	Reimbursement of capital expenditures	268
Capital Facilities Fund	Building Fund – Measure Q	Reimbursement of capital expenditures	43
Capital Facilities Fund	County School Facilities – Prop 47	Reimbursement of capital expenditures	699
Capital Facilities Fund	Capital Services Fund	Debt service	9,529
State School Bldg Lease-Purchase Fund	Building – Measure Y	Reimbursement of capital expenditures	626
County School Facilities – Prop 47	General Fund	Reimbursement of capital expenditures	6
County School Facilities – Prop 47	Building Fund – Measure R	Reimbursement of capital expenditures	6,729
County School Facilities – Prop 47	Building Fund – Bond Proceeds	Reimbursement of capital expenditures	2,794
County School Facilities – Prop 47	Building Fund – Measure K	Reimbursement of capital expenditures	46,123
County School Facilities – Prop 47	Building – Measure Y	Reimbursement of capital expenditures	12,765
County School Facilities – Prop 47	Building Fund - Measure Q	Reimbursement of capital expenditures	636
Special Reserve Fund – CRA	General Fund	Reimbursement of capital expenditures	20,001
Special Reserve Fund	General Fund	Reimbursement of capital expenditures	196
Special Reserve Fund	Building Fund – Measure R	Reimbursement of capital expenditures	7,715
Special Reserve Fund	Building – Measure Y	Reimbursement of capital expenditures	273
Special Reserve Fund	Building Fund – Measure Q	Reimbursement of capital expenditures	652
Special Reserve Fund	Capital Services Fund	Debt service	11
Total			<u>203,758</u>

LOS ANGELES UNIFIED SCHOOL DISTRICT

Notes to Basic Financial Statements

Year Ended June 30, 2018

(14) Fund Equity

The following is a summary of nonspendable, restricted, assigned, and unassigned fund balances at June 30, 2018 (in thousands):

	<u>General</u>	<u>District Bonds</u>	<u>Bond Interest and Redemption</u>	<u>Other Governmental</u>
Nonspendable:				
Revolving cash and imprest funds	\$ 2,839	\$ 634	\$ —	\$ 16
Inventories	23,042	—	—	7,015
Prepays	1,683	—	—	45
Total Nonspendable Balances	27,564	634	—	7,076
Restricted for:				
Child Nutrition: School Programs	—	—	—	71,306
Medi-Cal Billing Options	2,879	—	—	—
FEMA Public Assistance Funds	132	—	—	8
California Clean Energy Jobs Act	108,120	—	—	—
CA Learning Communities for School Success Program	4	—	—	—
School Mental Health Medi-Cal Rehabilitation	4,968	—	—	—
Medi-Cal Electronic Health Record Incentive	363	—	—	—
English Language Acquisition Program, Teacher Training & Student Assistance	520	—	—	—
Special Education	3,922	—	—	—
College Readiness Block Grant	10,040	—	—	—
State School Facilities Projects	—	—	—	242,300
Employment Training Panel-Regional Occupational Centers and Programs	163	—	—	—
Ongoing and Major Maintenance Account	1,308	—	—	—
Prop 84 Stormwater Grant Reimbursement	—	—	—	5
CDE Grant Olive Vista Middle School	—	—	—	4
Division of State Architect Certification/Close out Capital Projects	—	—	—	144,220
B.E.S.T. Behavior – Special Education	188	—	—	—
KLCS – Capital Improvements	1,663	—	—	—
Clean Cities Grant	86	—	—	—
Cognitive Behavioral Intervention Therapy	102	—	—	—
JADE Continuing Education Learning	35	—	—	—
DWP Pilot Efficiency Activities	1,273	—	—	—
Adult Education Block Grant Program	—	—	—	7,825
Adult Education Block Grant Data & Accountability	—	—	—	1,895
Debt Service Reserve	—	—	810,110	41,031
District Bonds	—	1,477,046	—	—
Total Restricted Balances	135,766	1,477,046	810,110	511,793
Assigned to:				
Subsequent year expenditures	1,057,387	—	—	263,929
Unassigned:				
Reserved for economic uncertainties	75,381	—	—	—
Unassigned	714,675	—	—	—
Total Fund Balances	\$ 2,010,773	\$ 1,477,680	\$ 810,110	\$ 782,798

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.

LOS ANGELES UNIFIED SCHOOL DISTRICT

Notes to Basic Financial Statements

Year Ended June 30, 2018

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.

Assigned fund balances represent amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. The District's adopted policy delegates the authority to assign amounts for specific purposes to the Superintendent, or designated executive committee.

Unassigned fund balances represent all other spendable amounts.

General Fund is the only fund that reports a positive unassigned fund balance, as it is not appropriate to report a positive unassigned fund balance in other governmental funds except where expenditures incurred for specific purposes exceed the amounts that are restricted, committed or assigned for those purposes. In such case, a negative unassigned fund balance may be reported.

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 assigned amounts to be reduced first, before the unassigned amounts.

Minimum Fund Balance Policy

As part of the Budget and Finance Policy, the governing board has 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 what was budgeted. The policy requires the District to maintain a reserve for economic uncertainty consisting of unassigned amounts equal to at least 1% of total General Fund expenditures and other financing uses. 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 adjusted based on changes to legal requirement.

It is also a policy that the Total General Fund balance be maintained at a minimum level of 5% of Total General Fund expenditures and transfers out. In the event that the General Fund balance falls below this level, all one-time monies will be set-aside until the 5% minimum reserve threshold is met. In addition, other recommendations may be developed to restore reserve balances.

(15) Contingencies and Commitments

(a) General

The District, as well as current and former Board Members and employees to whom the District has defense and indemnification responsibilities under the Government Code, has been named as defendants in numerous lawsuits, administrative proceedings and arbitrations. These seek, among other things, to require the District to reinstate terminated, demoted, suspended, and laid-off employees, to remedy alleged noncompliance regarding special education schools, and to change existing instructional programs, pupil integration methods, and employment and administration procedures. In many proceedings, monetary damages are sought including, for example, claims for retroactive pay and benefits and future pay and benefits. Based on the opinion of counsel, management believes that the ultimate outcome of such lawsuits will not have a material effect on the District's financial condition.

LOS ANGELES UNIFIED SCHOOL DISTRICT

Notes to Basic Financial Statements

Year Ended June 30, 2018

(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 2017-18 the District entered into approximately 150 contracts with a combined value of \$1.02 billion. The durations of the contracts range from three months to five years.



**REQUIRED
SUPPLEMENTARY
INFORMATION**

[THIS PAGE INTENTIONALLY LEFT BLANK]

LOS ANGELES UNIFIED SCHOOL DISTRICT
Required Supplementary Information
Schedule of Changes in the Net OPEB Liability and Related Ratios*
For the Year Ended June 30, 2018
(Dollar amounts in thousands)
(unaudited)

	2017-2018
Total OPEB Liability	
Service Cost	\$ 634,089
Interest on the total OPEB liability	490,582
Changes in assumptions	(2,061,247)
Benefit payments	(264,763)
Net change in total OPEB liability	(1,201,339)
Total OPEB liability – beginning	16,413,979
Total OPEB liability – ending (a)	\$ 15,212,640
Plan fiduciary net position	
Contributions – employer	\$ 342,763
Net investment income	20,995
Benefit payments	(264,763)
Administrative expense	(103)
Net change in plan fiduciary net position	98,892
Plan fiduciary net position – beginning	145,238
Plan fiduciary net position – ending (b)	244,130
Net OPEB liability – ending (a) - (b)	\$ 14,968,510
Plan fiduciary net position as a percentage of the total OPEB liability	1.6%
Covered – employee payroll	\$ 3,905,000
Net OPEB liability as percentage of covered – employee payroll	383.32%

* Fiscal year 2017-18 was the first year of implementation, therefore only one year is shown.

Schedule of Contributions
For the Year Ended June 30, 2018

Not applicable – Funding is not based on actuarially determined contributions and contributions are neither statutorily or contractually established.

See accompanying independent auditor’s report.

LOS ANGELES UNIFIED SCHOOL DISTRICT
Required Supplementary Information
Schedule of Changes in the Net Pension Liability and Related Ratios *
Agent Multiple-Employer Defined Benefit Pension Plan
California Public Employees' Retirement System (CalPERS) – Safety Plan
For the Year Ended June 30, 2018
(Dollar amounts in thousands)
(unaudited)

	<u>2014-2015</u>	<u>2015-2016</u>	<u>2016-2017</u>	<u>2017-2018</u>
Total Pension Liability				
Service Cost	\$ 8,284	\$ 8,240	\$ 8,861	\$ 10,331
Interest on total pension liability	22,121	23,128	25,394	26,815
Differences between expected and actual experience	—	(4,558)	11,191	(1,831)
Changes in assumptions	—	(5,860)	—	23,771
Changes in benefits	—	—	—	—
Benefit payments, including refunds of employee contributions	(12,325)	(12,853)	(13,653) **	(14,041)
Net change in total pension liability	18,080	8,097	31,793 **	45,045
Total pension liability – beginning	296,973	315,053	323,150	354,943
Total pension liability – ending (a)	<u>315,053</u>	<u>323,150</u>	<u>354,943</u>	<u>399,988</u>
Plan fiduciary net position				
Contributions – employer	8,341	9,347	8,701	9,711
Contributions – employee	2,717	2,825	3,064	3,352
Net investment income (net of administrative expenses)	37,066	5,185 **	1,196	28,500
Benefit payments	(12,325)	(12,853)	(13,653) **	(14,041)
Plan to Plan Resource Movement	—	1	(3)	(15)
Net change in plan fiduciary net position	35,799	4,505	(695) **	27,507
Plan fiduciary net position – beginning	213,160	248,959	253,464 **	252,769
Plan fiduciary net position – ending (b)	248,959	253,464	252,769	280,276
Net pension liability – ending (a) - (b)	<u>\$ 66,094</u>	<u>\$ 69,686</u>	<u>\$ 102,174</u>	<u>\$ 119,712</u>
Plan fiduciary net position as a percentage of the total pension liability	79.02%	78.44%	71.21%	70.07%
Covered – employee payroll	\$ 26,213	\$ 27,384	\$ 31,786	\$ 33,239
Net pension liability as percentage of covered – employee payroll	252.14%	254.48%	321.45%	360.16%

* Fiscal year 2014-15 was the first year of implementation, therefore only four years are shown.

** Updated due to rounding.

See accompanying independent auditor's report.

LOS ANGELES UNIFIED SCHOOL DISTRICT
Required Supplementary Information
Schedule of Contributions *
Agent Multiple-Employer Defined Benefit Pension Plan
California Public Employees' Retirement System (CalPERS) – Safety Plan
For the Year Ended June 30, 2018
(Dollar amounts in thousands)
(unaudited)

	<u>2014-2015</u>	<u>2015-2016</u>	<u>2016-2017</u>	<u>2017-2018</u>
Actuarially determined contribution	\$ 9,342	\$ 10,397	\$ 11,392	\$ 11,057
Contributions in relation to the actuarially determined contributions	(9,342)	(10,397)	(11,392)	(11,057)
Contribution deficiency (excess)	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>
Covered – employee payroll	\$ 39,837	\$ 42,476	\$ 43,788	\$ 43,799
Contributions as a percentage of covered – employee payroll	23.45%	24.48%	26.02%	25.24%

Notes to Schedule:

The actuarial methods and assumptions used to set the actuarially determined contributions are as follows:

	6/30/2012	6/30/2013	6/30/2014	6/30/2015
Valuation date	6/30/2012	6/30/2013	6/30/2014	6/30/2015
Actuarial cost method	Entry Age Normal Cost Method	Entry Age Normal Cost Method	Entry Age Normal Cost Method	Entry Age Normal Cost Method
Amortization method	Level Percent of Payroll	Level Percent of Payroll	Level Percent of Payroll	Level Percent of Payroll
Asset valuation method	15 Year Smoothed Market	Market Value of Assets	Market Value of Assets	Market Value of Assets
Inflation	2.75% compounded annually	2.75% compounded annually	2.75% compounded annually	2.75% compounded annually
Salary increases	Varies by entry age and service	3.3% to 14.2% depending on age, service and type of employment	Varies by entry age and service	Varies by entry age and service
Payroll Growth	3.0%	3.0%	3.0%	3.0%
Investment rate of return	7.5% net of pension plan investment and administrative expenses; includes inflation.	7.5%	7.5%	7.5%
Retirement age	The probabilities of retirement are based on the 2010 CalPERS Experience Study for the period from 1997 to 2007.	The probabilities of retirement are based on the 2010 CalPERS Experience Study for the period from 1997 to 2007.	The probabilities of retirement are based on the 2014 CalPERS Experience Study.	The probabilities of retirement are based on the 2014 CalPERS Experience Study.
Mortality	The probabilities of mortality are based on the 2010 CalPERS Experience Study for the period from 1997 to 2007. Pre-retirement and Post-retirement mortality rates include 5 years of projected mortality improvement using Scale AA published by the Society of Actuaries.	Based on mortality rates from the most recent CalPERS Experience Study adopted by the CalPERS Board. For purposes of the post-retirement mortality rates, those revised rates include 5 years of projected on-going mortality improvement using scale AA published by the Society of Actuaries. There is no margin for future mortality improvement beyond the valuation date.	Based on mortality rates from the most recent CalPERS Experience Study adopted by the CalPERS Board. For purposes of the post-retirement mortality rates, those revised rates include 20 years of projected on-going mortality improvements using Scale BB published by the Society of Actuaries.	Based on mortality rates from the most recent CalPERS Experience Study adopted by the CalPERS Board. For purposes of the post-retirement mortality rates, those revised rates include 20 years of projected on-going mortality improvements using Scale BB published by the Society of Actuaries.

* Fiscal year 2014-15 was the first year of implementation, therefore only four years are shown.

See accompanying independent auditor's report.

LOS ANGELES UNIFIED SCHOOL DISTRICT
Required Supplementary Information
Schedule of District Proportionate Share of the Net Pension Liability and Related Ratios and District Contributions *
Cost Sharing Multiple Employer Defined Benefit Pension Plan
California Public Employees' Retirement System (CalPERS) – Miscellaneous Plan
For the Year Ended June 30, 2018
(Dollar amounts in thousands)
(unaudited)

1. Schedule of District Proportionate Share of the Net Pension Liability and Related Ratios

	<u>2014-2015</u>	<u>2015-2016</u>	<u>2016-2017</u>	<u>2017-2018</u>
District's proportion of the net pension liability (asset)	9.3936%	8.7047%	8.3405%	8.15065%
District's proportionate share of the net pension liability (asset)	\$ 1,066,402	\$ 1,283,081	\$ 1,647,254	\$ 1,945,775
District's covered-employee payroll	839,116	1,016,759	1,078,634	1,108,784
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	127.09%	126.19%	152.72%	175.49%
Plan fiduciary net position as a percentage of the total pension liability	83.38%	79.43%	73.90%	71.87%

2. Schedule of District Contributions

	<u>2014-2015</u>	<u>2015-2016</u>	<u>2016-2017</u>	<u>2017-2018</u>
Contractually required contribution				
District contributions	\$ 113,398	\$ 119,193	\$ 144,467	\$ 166,342
Contributions in relation to the contractually required contribution	113,398	119,193	144,467	166,342
Contribution deficiency (excess)	\$ —	\$ —	\$ —	\$ —
District's covered-employee payroll	1,016,759	1,078,634	1,108,784	1,116,870
Contributions as a percentage of covered-employee payroll	11.15%	11.05%	13.03%	14.89%

Notes to Schedule:

The actuarial methods and assumptions used to set the actuarially determined contributions are as follows:

Valuation date	6/30/2013	6/30/2014	6/30/2015	6/30/2016
Actuarial cost method	Entry Age Normal	Entry Age Normal	Entry Age Normal	Entry Age Normal
Amortization method	Level Percent of Payroll	Level Percent of Payroll	Level Percent of Payroll	Level Percent of Payroll
Remaining amortization period	20-year period	Varies depending on the nature of the change in the unfunded liabilities.	Varies depending on the nature of the change in the unfunded liabilities.	Varies depending on the nature of the change in the unfunded liabilities.
Asset valuation method	Actuarial value of Assets	Market value of Assets	Market value of Assets	Market value of Assets
Inflation	2.75%	2.75%	2.75%	2.75%
Salary increases	Varies by entry age and duration of service	Varies by entry age and duration of service	Varies by entry age and duration of service	Varies by entry age and duration of service
Investment rate of return	7.50%	7.50%	7.50%	7.50%
Retirement age	CalPERS Experience Study	CalPERS Experience Study	CalPERS Experience Study	CalPERS Experience Study
Mortality	The probabilities of mortality are based on the most recent CalPERS Experience Study adopted by the CalPERS Board, first used in the 6/30/09 Valuation. Post-retirement mortality rates include 5 years of projected on-going mortality improvement using Scale AA published by the Society of Actuaries until June 30, 2010.	The probabilities of mortality are based on the most recent CalPERS Experience Study adopted by the CalPERS Board, first used in the 6/30/09 Valuation. Post-retirement mortality rates include 5 years of projected on-going mortality improvement using Scale AA published by the Society of Actuaries until June 30, 2010.	The probabilities of mortality are based on the most recent CalPERS Experience Study adopted by the CalPERS Board, first used in the 6/30/15 Valuation. Post-retirement mortality rates include 20 years of projected on-going mortality improvements using Scale BB published by the Society of Actuaries.	The probabilities of mortality are based on the most recent CalPERS Experience Study adopted by the CalPERS Board, first used in the 6/30/15 Valuation. Post-retirement mortality rates include 20 years of projected on-going mortality improvements using Scale BB published by the Society of Actuaries.

* Fiscal year 2014-15 was the first year of implementation, therefore only four years are shown.

See accompanying independent auditor's report.

LOS ANGELES UNIFIED SCHOOL DISTRICT
Required Supplementary Information
Schedule of District Proportionate Share of the Net Pension Liability and Related Ratios and District Contributions *
Cost Sharing Multiple Employer Defined Benefit Pension Plan
California State Teachers' Retirement System (CalSTRS)
For the Year Ended June 30, 2018
(Dollar amounts in thousands)
(unaudited)

1. Schedule of District Proportionate Share of the Net Pension Liability and Related Ratios

	<u>2014-2015</u>	<u>2015-2016</u>	<u>2016-2017</u>	<u>2017-2018</u>
District's proportion of the net pension liability (asset)	5.7380%	5.9320%	5.5890%	5.3050%
District's proportionate share of the net pension liability (asset) \$	3,353,000	\$ 3,993,660	\$ 4,520,439	\$ 4,906,064
District's covered-employee payroll	2,585,154	2,771,643	2,834,892	2,865,305
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	129.70%	144.09%	159.46%	171.22%
Plan fiduciary net position as a percentage of the total pension liability	76.52%	74.02%	70.04%	69.46%

2. Schedule of District Contributions

	<u>2014-2015</u>	<u>2015-2016</u>	<u>2016-2017</u>	<u>2017-2018</u>
Contractually required contribution				
District contributions	\$ 245,474	\$ 302,716	\$ 358,073	\$ 407,198
Contributions in relation to the contractually required contribution	<u>245,474</u>	<u>302,716</u>	<u>358,073</u>	<u>407,198</u>
Contribution deficiency (excess)	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>
District's covered-employee payroll	2,771,643	2,834,892	2,865,305	2,833,461
Contributions as a percentage of covered-employee payroll	8.86%	10.68%	12.50%	14.37%

Notes to Schedule:

The actuarial methods and assumptions used to set the actuarially determined contributions are as follows:

Valuation date	6/30/2013	6/30/2014	6/30/2015	6/30/2016
Actuarial cost method	Entry Age Normal	Entry Age Normal	Entry Age Normal	Entry Age Normal
Amortization method	Level Percent of Payroll	Level Percent of Payroll	Level Percent of Payroll	Level Percent of Payroll
Remaining amortization period	30 years	32 years	31 years	30 years
Asset valuation method	Expected Value with 33% adjustment to Market Value	Expected Value with 33% adjustment to Market Value	Expected Value with 33% adjustment to Market Value	Expected Value with 33% adjustment to Market Value
Inflation	3.00%	3.00%	3.00%	2.75%
Salary increases	3.75%	3.75%	3.75%	3.50%
Investment rate of return	7.50%	7.50%	7.50%	7.25%
Retirement age	Experience Tables	Experience Tables	Experience Tables	Experience Tables
Mortality	RP-2000 Series Table	RP-2000 Series Table	RP-2000 Series Table	110 percent of the ultimate improvement factor from the Mortality Improvement Scale (MP-2016) table

* Fiscal year 2014-15 was the first year of implementation, therefore only four years are shown.

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, 2018
(in thousands)

	Budget		Actual	Variance with Final Budget – Favorable (Unfavorable)
	Original	Final		
Revenues:				
Other local revenues	\$ 7,090	\$ 7,090	\$ 24,721	\$ 17,631
Total Revenues	<u>7,090</u>	<u>7,090</u>	<u>24,721</u>	<u>17,631</u>
Expenditures:				
Current:				
Classified salaries	127,309	197,583	54,382	143,201
Employee benefits	63,126	88,524	26,909	61,615
Books and supplies	8,570	44,526	2,767	41,759
Services and other operating expenditures	55,479	237,552	54,435	183,117
Capital outlay	294,082	606,974	505,704	101,270
Total Expenditures	<u>548,566</u>	<u>1,175,159</u>	<u>644,197</u>	<u>530,962</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(541,476)</u>	<u>(1,168,069)</u>	<u>(619,476)</u>	<u>548,593</u>
Other Financing Sources (Uses):				
Transfers in	—	94,226	94,224	(2)
Transfers out	—	(49,157)	(39,834)	9,323
Issuance of bonds	666,000	1,245,600	1,350,000	104,400
Discount on bonds issued	—	(53)	—	53
Total Other Financing Sources (Uses)	<u>666,000</u>	<u>1,290,616</u>	<u>1,404,390</u>	<u>113,774</u>
Net Changes in Fund Balances	<u>124,524</u>	<u>122,547</u>	<u>784,914</u>	<u>662,367</u>
Fund Balances, July 1, 2017	<u>685,550</u>	<u>692,766</u>	<u>692,766</u>	<u>—</u>
Fund Balances, June 30, 2018	<u>\$ 810,074</u>	<u>\$ 815,313</u>	<u>\$ 1,477,680</u>	<u>\$ 662,367</u>

See accompanying independent auditor's report.

LOS ANGELES UNIFIED SCHOOL DISTRICT
Bond Interest and Redemption Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual
Year Ended June 30, 2018
(in thousands)

	Budget		Actual	Variance with Final Budget – Favorable (Unfavorable)
	Original	Final		
Revenues:				
Federal revenues	\$ 68,737	\$ 68,737	\$ 68,774	\$ 37
Other state revenues	5,414	5,414	3,488	(1,926)
Other local revenues	813,778	813,778	809,677	(4,101)
Total Revenues	<u>887,929</u>	<u>887,929</u>	<u>881,939</u>	<u>(5,990)</u>
Expenditures:				
Debt service – principal	432,454	560,960	560,960	—
Debt service – bond issuance cost	—	1,523	1,523	—
Debt service – bond, COPs, and capital leases interest	452,595	472,431	472,046	385
Total Expenditures	<u>885,049</u>	<u>1,034,914</u>	<u>1,034,529</u>	<u>385</u>
Excess (Deficiency) of Revenues				
Over (Under) Expenditures	<u>2,880</u>	<u>(146,985)</u>	<u>(152,590)</u>	<u>(5,605)</u>
Other Financing Sources (Uses):				
Premium on bonds issued	—	198,460	198,460	—
Discount on bonds issued	—	(53)	(53)	—
Total Other Financing Sources	<u>—</u>	<u>198,407</u>	<u>198,407</u>	<u>—</u>
Net Changes in Fund Balances	2,880	51,422	45,817	(5,605)
Fund Balances, July 1, 2017	<u>782,428</u>	<u>764,293</u>	<u>764,293</u>	<u>—</u>
Fund Balances, June 30, 2018	<u>\$ 785,308</u>	<u>\$ 815,715</u>	<u>\$ 810,110</u>	<u>\$ (5,605)</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 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 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.

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

The 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 County School Facilities Bonds Fund is used 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).

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 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.

LOS ANGELES UNIFIED SCHOOL DISTRICT

Nonmajor Governmental Funds

The Special Reserve Fund – FEMA – Earthquake is used to account for funds received from the Federal Emergency Management Agency (FEMA) for capital outlay projects resulting from the January 17, 1994 Northridge Earthquake.

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



LOS ANGELES UNIFIED SCHOOL DISTRICT
 Nonmajor Governmental Funds
 Combining Balance Sheet
 June 30, 2018
 (in thousands)

Special Revenue				
	Adult Education	Child Development	Cafeteria	Total
Assets:				
Cash in county treasury, in banks, and on hand	\$ 24,440	\$ 13,904	\$ 59,348	\$ 97,692
Cash held by trustee	—	—	—	—
Accounts receivable – net	6,856	3,726	19,202	29,784
Accrued interest receivable	93	20	239	352
Prepays	—	—	45	45
Inventories	—	—	7,015	7,015
Total Assets	31,389	17,650	85,849	134,888
Deferred Outflows of Resources	—	—	—	—
Total Assets and Deferred Outflows of Resources	\$ 31,389	\$ 17,650	\$ 85,849	\$ 134,888
Liabilities and Fund Balances:				
Vouchers and accounts payable	\$ 3,953	\$ 488	\$ 1,994	\$ 6,435
Contracts payable	62	—	—	62
Accrued payroll	2,708	6,840	4,502	14,050
Other payables	133	5	171	309
Due to other funds	—	10,000	—	10,000
Unearned revenue	110	2	816	928
Total Liabilities	6,966	17,335	7,483	31,784
Deferred Inflows of Resources	—	—	—	—
Fund Balances:				
Nonspendable	16	—	7,060	7,076
Restricted	9,720	—	71,306	81,026
Assigned	14,687	315	—	15,002
Total Fund Balances	24,423	315	78,366	103,104
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 31,389	\$ 17,650	\$ 85,849	\$ 134,888

See accompanying independent auditors' report.

Debt Service

Tax Override	Capital Services	Total
\$ 399	\$ 10,833	\$ 11,232
—	29,736	29,736
—	—	—
2	61	63
—	—	—
—	—	—
<u>401</u>	<u>40,630</u>	<u>41,031</u>
—	—	—
<u>\$ 401</u>	<u>\$ 40,630</u>	<u>\$ 41,031</u>
\$ —	\$ —	\$ —
—	—	—
—	—	—
—	—	—
—	—	—
—	—	—
—	—	—
<u>—</u>	<u>—</u>	<u>—</u>
<u>401</u>	<u>40,630</u>	<u>41,031</u>
—	—	—
<u>401</u>	<u>40,630</u>	<u>41,031</u>
<u>\$ 401</u>	<u>\$ 40,630</u>	<u>\$ 41,031</u>

(Continued)

LOS ANGELES UNIFIED SCHOOL DISTRICT
 Nonmajor Governmental Funds
 Combining Balance Sheet (Continued)
 June 30, 2018
 (in thousands)

	Capital			
	Building	Capital Facilities Account	State School Building Lease – Purchase	County School Facilities Bonds
Assets:				
Cash in county treasury, in banks, and on hand	\$ 9,423	\$ 221,171	\$ 11,722	\$ 244,493
Cash held by trustee	—	—	—	—
Accounts receivable – net	—	29,081	—	—
Accrued interest receivable	51	1,315	65	1,395
Prepays	—	—	—	—
Inventories	—	—	—	—
Total Assets	<u>9,474</u>	<u>251,567</u>	<u>11,787</u>	<u>245,888</u>
Deferred Outflows of Resources	—	—	—	—
Total Asset and Deferred Outflows of Resources	<u>\$ 9,474</u>	<u>\$ 251,567</u>	<u>\$ 11,787</u>	<u>\$ 245,888</u>
Liabilities and Fund Balances:				
Vouchers and accounts payable	\$ —	\$ 5,312	\$ 133	\$ 1,206
Contracts payable	—	8,610	174	2,329
Accrued payroll	—	34	—	4
Other payables	—	496	5,784	49
Due to other funds	—	—	—	—
Unearned revenue	—	—	—	—
Total Liabilities	<u>—</u>	<u>14,452</u>	<u>6,091</u>	<u>3,588</u>
Deferred Inflows of Resources	—	—	—	—
Fund Balances:				
Nonspendable	—	—	—	—
Restricted	—	—	5,696	242,300
Assigned	9,474	237,115	—	—
Total Fund Balances	<u>9,474</u>	<u>237,115</u>	<u>5,696</u>	<u>242,300</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 9,474</u>	<u>\$ 251,567</u>	<u>\$ 11,787</u>	<u>\$ 245,888</u>

See accompanying independent auditors' report.

Projects					
Special Reserve – Community Redevelopment Agency	Special Reserve	Special Reserve – FEMA – Earthquake	Special Reserve – FEMA – Hazard Mitigation	Total	Total Nonmajor Governmental Funds
\$ 60,322	\$ 77,172	\$ 3,390	\$ 2,117	\$ 629,810	\$ 738,734
—	1,563	—	—	1,563	31,299
110	15	—	—	29,206	58,990
382	399	19	12	3,638	4,053
—	—	—	—	—	45
—	—	—	—	—	7,015
60,814	79,149	3,409	2,129	664,217	840,136
—	—	—	—	—	—
\$ 60,814	\$ 79,149	\$ 3,409	\$ 2,129	\$ 664,217	\$ 840,136
\$ 114	\$ 549	\$ 1	\$ —	\$ 7,315	\$ 13,750
—	568	—	—	11,681	11,743
19	155	—	—	212	14,262
—	17	—	—	6,346	6,655
—	—	—	—	—	10,000
—	—	—	—	—	928
133	1,289	1	—	25,554	57,338
—	—	—	—	—	—
—	—	—	—	—	7,076
60,681	77,860	3,199	—	389,736	511,793
—	—	209	2,129	248,927	263,929
60,681	77,860	3,408	2,129	638,663	782,798
\$ 60,814	\$ 79,149	\$ 3,409	\$ 2,129	\$ 664,217	\$ 840,136

LOS ANGELES UNIFIED SCHOOL DISTRICT
 Nonmajor Governmental Funds
 Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
 Year Ended June 30, 2018
 (in thousands)

	Special Revenue			
	Adult Education	Child Development	Cafeteria	Total
Revenues:				
Federal revenues	\$ 13,523	\$ 5,639	\$ 345,320	\$ 364,482
Other state revenues	106,143	124,249	22,813	253,205
Other local revenues	4,487	2,286	10,566	17,339
Total Revenues	<u>124,153</u>	<u>132,174</u>	<u>378,699</u>	<u>635,026</u>
Expenditures:				
Current:				
Certificated salaries	59,247	40,723	—	99,970
Classified salaries	15,271	49,203	94,615	159,089
Employee benefits	39,588	55,691	87,308	182,587
Books and supplies	8,381	2,318	166,343	177,042
Services and other operating expenditures	6,058	2,852	3,310	12,220
Capital outlay	697	—	91	788
Debt service – principal	—	79	—	79
Debt service – bond, COPs, and capital leases interest	—	—	—	—
Other outgo	401	—	—	401
Transfers of indirect costs – interfund	4,475	6,220	13,901	24,596
Total Expenditures	<u>134,118</u>	<u>157,086</u>	<u>365,568</u>	<u>656,772</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(9,965)</u>	<u>(24,912)</u>	<u>13,131</u>	<u>(21,746)</u>
Other Financing Sources (Uses):				
Transfers in	39	24,832	1,067	25,938
Transfers out	(15)	—	—	(15)
Total Other Financing Sources (Uses)	<u>24</u>	<u>24,832</u>	<u>1,067</u>	<u>25,923</u>
Net Changes in Fund Balances	<u>(9,941)</u>	<u>(80)</u>	<u>14,198</u>	<u>4,177</u>
Fund Balances, July 1, 2017	34,364	395	64,168	98,927
Fund Balances, June 30, 2018	<u>\$ 24,423</u>	<u>\$ 315</u>	<u>\$ 78,366</u>	<u>\$ 103,104</u>

See accompanying independent auditor's report.

Debt Service

Tax Override	Capital Services	Total
\$ —	\$ 574	\$ 574
—	—	—
<u>6</u>	<u>694</u>	<u>700</u>
<u>6</u>	<u>1,268</u>	<u>1,274</u>
—	—	—
—	—	—
—	—	—
—	—	—
—	—	—
—	42,862	42,862
—	10,489	10,489
—	—	—
—	—	—
<u>—</u>	<u>53,351</u>	<u>53,351</u>
<u>6</u>	<u>(52,083)</u>	<u>(52,077)</u>
—	35,197	35,197
—	—	—
<u>—</u>	<u>35,197</u>	<u>35,197</u>
6	(16,886)	(16,880)
<u>395</u>	<u>57,516</u>	<u>57,911</u>
<u>\$ 401</u>	<u>\$ 40,630</u>	<u>\$ 41,031</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, 2018
 (in thousands)

	Capital			
	Building	Capital Facilities Account	State School Building Lease – Purchase	County School Facilities Bonds
Revenues:				
Federal revenues	\$ —	\$ —	\$ —	\$ —
Other state revenues	—	—	—	50,700
Other local revenues	637	106,389	187	4,143
Total Revenues	<u>637</u>	<u>106,389</u>	<u>187</u>	<u>54,843</u>
Expenditures:				
Current:				
Certificated salaries	—	—	—	—
Classified salaries	—	431	—	1,109
Employee benefits	—	230	—	568
Books and supplies	—	2	—	—
Services and other operating expenditures	—	1,558	—	208
Capital outlay	—	90,233	—	41,851
Debt service – principal	—	—	—	—
Debt service – bond, COPs, and capital leases interest	—	—	—	—
Other outgo	—	—	—	—
Transfers of indirect costs – interfund	—	—	—	—
Total Expenditures	<u>—</u>	<u>92,454</u>	<u>—</u>	<u>43,736</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>637</u>	<u>13,935</u>	<u>187</u>	<u>11,107</u>
Other Financing Sources (Uses):				
Transfers in	—	—	—	6,981
Transfers out	—	(10,790)	(625)	(69,054)
Total Other Financing Sources (Uses)	<u>—</u>	<u>(10,790)</u>	<u>(625)</u>	<u>(62,073)</u>
Net Changes in Fund Balances	637	3,145	(438)	(50,966)
Fund Balances, July 1, 2017	8,837	233,970	6,134	293,266
Fund Balances, June 30, 2018	<u>\$ 9,474</u>	<u>\$ 237,115</u>	<u>\$ 5,696</u>	<u>\$ 242,300</u>

See accompanying independent auditor's report.

Projects					
Special Reserve – Community Redevelopment Agency	Special Reserve	Special Reserve – FEMA – Earthquake	Special Reserve – FEMA – Hazard Mitigation	Total	Total Nonmajor Governmental Funds
\$ —	\$ 259	\$ —	\$ —	\$ 259	\$ 365,315
—	321	—	—	51,021	304,226
32,255	15,441	53	32	159,137	177,176
32,255	16,021	53	32	210,417	846,717
—	—	—	—	—	99,970
377	1,976	16	—	3,909	162,998
173	892	8	—	1,871	184,458
—	257	—	—	259	177,301
493	1,382	10	—	3,651	15,871
—	11,927	17	—	144,028	144,816
—	—	—	—	—	42,941
—	—	—	—	—	10,489
—	—	—	—	—	401
—	—	—	—	—	24,596
1,043	16,434	51	—	153,718	863,841
31,212	(413)	2	32	56,699	(17,124)
—	2,299	—	—	9,280	70,415
(20,000)	(8,846)	—	—	(109,315)	(109,330)
(20,000)	(6,547)	—	—	(100,035)	(38,915)
11,212	(6,960)	2	32	(43,336)	(56,039)
49,469	84,820	3,406	2,097	681,999	838,837
\$ 60,681	\$ 77,860	\$ 3,408	\$ 2,129	\$ 638,663	\$ 782,798

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, 2018
(in thousands)

	Adult Education			Variance with Final Budget – Favorable (Unfavorable)
	Budget		Actual	
	Original	Final		
Revenues:				
Federal revenues	\$ 16,521	\$ 14,170	\$ 13,523	\$ (647)
Other state revenues	96,551	102,355	106,143	3,788
Other local revenues	3,188	4,507	4,487	(20)
Total Revenues	<u>116,260</u>	<u>121,032</u>	<u>124,153</u>	<u>3,121</u>
Expenditures:				
Current:				
Certificated salaries	55,457	62,101	59,247	2,854
Classified salaries	15,879	15,927	15,271	656
Employee benefits	38,763	39,975	39,588	387
Books and supplies	35,130	22,979	8,381	14,598
Services and other operating expenditures	1,911	8,116	6,058	2,058
Capital outlay	—	707	697	10
Debt Service – principal	—	—	—	—
Other outgo	—	484	401	83
Transfers of indirect costs – interfund	3,977	5,099	4,475	624
Total Expenditures	<u>151,117</u>	<u>155,388</u>	<u>134,118</u>	<u>21,270</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(34,857)</u>	<u>(34,356)</u>	<u>(9,965)</u>	<u>24,391</u>
Other Financing Sources (Uses):				
Transfers in	—	39	39	—
Transfers out	—	(15)	(15)	—
Total Other Financing Sources (Uses)	<u>—</u>	<u>24</u>	<u>24</u>	<u>—</u>
Net Changes in Fund Balances	<u>(34,857)</u>	<u>(34,332)</u>	<u>(9,941)</u>	<u>24,391</u>
Fund Balances, July 1, 2017	<u>34,882</u>	<u>34,364</u>	<u>34,364</u>	<u>—</u>
Fund Balances, June 30, 2018	<u>\$ 25</u>	<u>\$ 32</u>	<u>\$ 24,423</u>	<u>\$ 24,391</u>

See accompanying independent auditor's report.

Child Development				Cafeteria			
Budget		Actual	Variance with Final Budget – Favorable (Unfavorable)	Budget		Actual	Variance with Final Budget – Favorable (Unfavorable)
Original	Final			Original	Final		
\$ 4,529	\$ 4,529	\$ 5,639	\$ 1,110	\$ 349,752	\$ 344,781	\$ 345,320	\$ 539
115,037	115,075	124,249	9,174	22,349	22,595	22,813	218
4,881	3,748	2,286	(1,462)	10,583	9,937	10,566	629
124,447	123,352	132,174	8,822	382,684	377,313	378,699	1,386
40,100	40,735	40,723	12	—	—	—	—
47,924	49,233	49,203	30	93,638	94,779	94,615	164
56,206	55,831	55,691	140	92,185	90,273	87,308	2,965
3,644	2,319	2,318	1	189,241	170,477	166,343	4,134
2,843	3,078	2,852	226	3,376	3,869	3,310	559
—	—	—	—	500	92	91	1
396	317	79	238	—	—	—	—
—	—	—	—	—	—	—	—
6,325	6,253	6,220	33	15,302	14,187	13,901	286
157,438	157,766	157,086	680	394,242	373,677	365,568	8,109
(32,991)	(34,414)	(24,912)	9,502	(11,558)	3,636	13,131	9,495
32,509	34,020	24,832	(9,188)	2,510	1,254	1,067	(187)
—	—	—	—	—	—	—	—
32,509	34,020	24,832	(9,188)	2,510	1,254	1,067	(187)
(482)	(394)	(80)	314	(9,048)	4,890	14,198	9,308
483	395	395	—	51,483	64,168	64,168	—
\$ 1	\$ 1	\$ 315	\$ 314	\$ 42,435	\$ 69,058	\$ 78,366	\$ 9,308

(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, 2018
(in thousands)

	Total			Variance with Final Budget – Favorable (Unfavorable)
	Budget		Actual	
	Original	Final		
Revenues:				
Federal revenues	\$ 370,802	\$ 363,480	\$ 364,482	\$ 1,002
Other state revenues	233,937	240,025	253,205	13,180
Other local revenues	18,652	18,192	17,339	(853)
Total Revenues	<u>623,391</u>	<u>621,697</u>	<u>635,026</u>	<u>13,329</u>
Expenditures:				
Current:				
Certificated salaries	95,557	102,836	99,970	2,866
Classified salaries	157,441	159,939	159,089	850
Employee benefits	187,154	186,079	182,587	3,492
Books and supplies	228,015	195,775	177,042	18,733
Services and other operating expenditures	8,130	15,063	12,220	2,843
Capital outlay	500	799	788	11
Debt Service – principal	396	317	79	238
Other outgo	—	484	401	83
Transfers of indirect costs – interfund	25,604	25,539	24,596	943
Total Expenditures	<u>702,797</u>	<u>686,831</u>	<u>656,772</u>	<u>30,059</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(79,406)</u>	<u>(65,134)</u>	<u>(21,746)</u>	<u>43,388</u>
Other Financing Sources (Uses):				
Transfers in	35,019	35,313	25,938	(9,375)
Transfers out	—	(15)	(15)	—
Total Other Financing Sources (Uses)	<u>35,019</u>	<u>35,298</u>	<u>25,923</u>	<u>(9,375)</u>
Net Changes in Fund Balances	<u>(44,387)</u>	<u>(29,836)</u>	<u>4,177</u>	<u>34,013</u>
Fund Balances, July 1, 2017	86,848	98,927	98,927	—
Fund Balances, June 30, 2018	<u>\$ 42,461</u>	<u>\$ 69,091</u>	<u>\$ 103,104</u>	<u>\$ 34,013</u>

See accompanying independent auditor's report.



LOS ANGELES UNIFIED SCHOOL DISTRICT
Debt Service Funds
Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual
Year Ended June 30, 2018
(in thousands)

	Tax Override			Variance with Final Budget – Favorable (Unfavorable)
	Budget		Actual	
	Original	Final		
Revenues:				
Federal revenues	\$ —	\$ —	\$ —	\$ —
Other local revenues	—	—	6	6
Total Revenues	<u>—</u>	<u>—</u>	<u>6</u>	<u>6</u>
Expenditures:				
Debt service – principal	—	—	—	—
Debt service – bond, COPs, and capital leases interest	—	395	—	395
Total Expenditures	<u>—</u>	<u>395</u>	<u>—</u>	<u>395</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>—</u>	<u>(395)</u>	<u>6</u>	<u>401</u>
Other Financing Sources (Uses):				
Transfers in	—	—	—	—
Total Other Financing Sources	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Net Changes in Fund Balances	—	(395)	6	401
Fund Balances, July 1, 2017	<u>—</u>	<u>395</u>	<u>395</u>	<u>—</u>
Fund Balances, June 30, 2018	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 401</u>	<u>\$ 401</u>

See accompanying independent auditor's report.

Capital Services				Total			
Budget		Actual	Variance with Final Budget – Favorable (Unfavorable)	Budget		Actual	Variance with Final Budget – Favorable (Unfavorable)
Original	Final			Original	Final		
\$ 572	\$ 575	\$ 574	\$ (1)	\$ 572	\$ 575	\$ 574	\$ (1)
335	335	694	359	335	335	700	365
907	910	1,268	358	907	910	1,274	364
23,260	42,859	42,862	(3)	23,260	42,859	42,862	(3)
13,668	11,289	10,489	800	13,668	11,684	10,489	1,195
36,928	54,148	53,351	797	36,928	54,543	53,351	1,192
(36,021)	(53,238)	(52,083)	1,155	(36,021)	(53,633)	(52,077)	1,556
36,021	36,018	35,197	(821)	36,021	36,018	35,197	(821)
36,021	36,018	35,197	(821)	36,021	36,018	35,197	(821)
—	(17,220)	(16,886)	334	—	(17,615)	(16,880)	735
57,469	57,516	57,516	—	57,469	57,911	57,911	—
\$ 57,469	\$ 40,296	\$ 40,630	\$ 334	\$ 57,469	\$ 40,296	\$ 41,031	\$ 735

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, 2018
 (in thousands)

	Building			Variance with Final Budget – Favorable (Unfavorable)
	Budget		Actual	
	Original	Final		
Revenues:				
Federal revenues	\$ —	\$ —	\$ —	\$ —
Other state revenues	—	—	—	—
Other local revenues	565	622	637	15
Total Revenues	<u>565</u>	<u>622</u>	<u>637</u>	<u>15</u>
Expenditures:				
Current:				
Classified salaries	—	—	—	—
Employee benefits	—	—	—	—
Books and supplies	—	—	—	—
Services and other operating expenditures	—	—	—	—
Capital outlay	1,000	1,023	—	1,023
Total Expenditures	<u>1,000</u>	<u>1,023</u>	<u>—</u>	<u>1,023</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(435)</u>	<u>(401)</u>	<u>637</u>	<u>1,038</u>
Other Financing Sources (Uses):				
Transfers in	—	—	—	—
Transfers out	—	—	—	—
Total Other Financing Sources (Uses)	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Net Changes in Fund Balances	(435)	(401)	637	1,038
Fund Balances, July 1, 2017	<u>8,871</u>	<u>8,837</u>	<u>8,837</u>	<u>—</u>
Fund Balances, June 30, 2018	<u>\$ 8,436</u>	<u>\$ 8,436</u>	<u>\$ 9,474</u>	<u>\$ 1,038</u>

See accompanying independent auditor's report.

Capital Facilities Account				State School Building Lease – Purchase			
Budget		Actual	Variance with Final Budget – Favorable (Unfavorable)	Budget		Actual	Variance with Final Budget – Favorable (Unfavorable)
Original	Final			Original	Final		
\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
92,400	92,400	106,389	13,989	—	—	187	187
92,400	92,400	106,389	13,989	—	—	187	187
461	505	431	74	—	—	—	—
205	482	230	252	—	—	—	—
34	34	2	32	—	—	—	—
3,262	11,653	1,558	10,095	—	—	—	—
21,123	91,806	90,233	1,573	100	420	—	420
25,085	104,480	92,454	12,026	100	420	—	420
67,315	(12,080)	13,935	26,015	(100)	(420)	187	607
—	—	—	—	—	—	—	—
(9,543)	(10,790)	(10,790)	—	—	(626)	(625)	1
(9,543)	(10,790)	(10,790)	—	—	(626)	(625)	1
57,772	(22,870)	3,145	26,015	(100)	(1,046)	(438)	608
236,328	233,970	233,970	—	6,118	6,134	6,134	—
<u>\$ 294,100</u>	<u>\$ 211,100</u>	<u>\$ 237,115</u>	<u>\$ 26,015</u>	<u>\$ 6,018</u>	<u>\$ 5,088</u>	<u>\$ 5,696</u>	<u>\$ 608</u>

(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, 2018
 (in thousands)

	County School Facilities Bonds			Variance with Final Budget – Favorable (Unfavorable)
	Budget		Actual	
	Original	Final		
Revenues:				
Federal revenues	\$ —	\$ —	\$ —	\$ —
Other state revenues	44,718	44,718	50,700	5,982
Other local revenues	3,270	3,270	4,143	873
Total Revenues	<u>47,988</u>	<u>47,988</u>	<u>54,843</u>	<u>6,855</u>
Expenditures:				
Current:				
Classified salaries	—	3,046	1,109	1,937
Employee benefits	—	1,579	568	1,011
Books and supplies	25	3,052	—	3,052
Services and other operating expenditures	2,848	5,787	208	5,579
Capital outlay	28,643	42,719	41,851	868
Total Expenditures	<u>31,516</u>	<u>56,183</u>	<u>43,736</u>	<u>12,447</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>16,472</u>	<u>(8,195)</u>	<u>11,107</u>	<u>19,302</u>
Other Financing Sources (Uses):				
Transfers in	—	6,982	6,981	(1)
Transfers out	—	(69,054)	(69,054)	—
Total Other Financing Sources (Uses)	<u>—</u>	<u>(62,072)</u>	<u>(62,073)</u>	<u>(1)</u>
Net Changes in Fund Balances	16,472	(70,267)	(50,966)	19,301
Fund Balances, July 1, 2017	<u>302,663</u>	<u>293,266</u>	<u>293,266</u>	<u>—</u>
Fund Balances, June 30, 2018	<u>\$ 319,135</u>	<u>\$ 222,999</u>	<u>\$ 242,300</u>	<u>\$ 19,301</u>

See accompanying independent auditors' report.

Special Reserve – Community Redevelopment Agency				Special Reserve			
Budget		Actual	Variance with Final Budget – Favorable (Unfavorable)	Budget		Actual	Variance with Final Budget – Favorable (Unfavorable)
Original	Final			Original	Final		
\$ —	\$ —	\$ —	\$ —	\$ 2,733	\$ 2,797	\$ 259	\$ (2,538)
—	—	—	—	3,334	3,434	321	(3,113)
26,460	26,460	32,255	5,795	24,865	23,979	15,441	(8,538)
26,460	26,460	32,255	5,795	30,932	30,210	16,021	(14,189)
398	398	377	21	—	4,372	1,976	2,396
176	350	173	177	—	2,380	892	1,488
—	—	—	—	506	7,081	257	6,824
211	611	493	118	9,725	3,306	1,382	1,924
10,215	8,911	—	8,911	7,484	17,608	11,927	5,681
11,000	10,270	1,043	9,227	17,715	34,747	16,434	18,313
15,460	16,190	31,212	15,022	13,217	(4,537)	(413)	4,124
—	—	—	—	—	2,299	2,299	—
(20,000)	(20,000)	(20,000)	—	—	(8,847)	(8,846)	1
(20,000)	(20,000)	(20,000)	—	—	(6,548)	(6,547)	1
(4,540)	(3,810)	11,212	15,022	13,217	(11,085)	(6,960)	4,125
50,199	49,469	49,469	—	97,518	84,820	84,820	—
\$ 45,659	\$ 45,659	\$ 60,681	\$ 15,022	\$ 110,735	\$ 73,735	\$ 77,860	\$ 4,125

(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, 2018
 (in thousands)

	Special Reserve – FEMA – Earthquake			Variance with Final Budget – Favorable (Unfavorable)
	Budget		Actual	
	Original	Final		
Revenues:				
Federal revenues	\$ —	\$ —	\$ —	\$ —
Other state revenues	—	—	—	—
Other local revenues	—	—	53	53
Total Revenues	<u>—</u>	<u>—</u>	<u>53</u>	<u>53</u>
Expenditures:				
Current:				
Classified salaries	—	36	16	20
Employee benefits	—	18	8	10
Books and supplies	12	12	—	12
Services and other operating expenditures	60	79	10	69
Capital outlay	2,547	3,105	17	3,088
Total Expenditures	<u>2,619</u>	<u>3,250</u>	<u>51</u>	<u>3,199</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(2,619)</u>	<u>(3,250)</u>	<u>2</u>	<u>3,252</u>
Other Financing Sources (Uses):				
Transfers in	—	—	—	—
Transfers out	—	—	—	—
Total Other Financing Sources (Uses)	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Net Changes in Fund Balances	<u>(2,619)</u>	<u>(3,250)</u>	<u>2</u>	<u>3,252</u>
Fund Balances, July 1, 2017	<u>2,771</u>	<u>3,406</u>	<u>3,406</u>	<u>—</u>
Fund Balances, June 30, 2018	<u>\$ 152</u>	<u>\$ 156</u>	<u>\$ 3,408</u>	<u>\$ 3,252</u>

See accompanying independent auditors' report.

Special Reserve – FEMA – Hazard Mitigation				Total			
Budget		Actual	Variance with Final Budget – Favorable (Unfavorable)	Budget		Actual	Variance with Final Budget – Favorable (Unfavorable)
Original	Final			Original	Final		
\$ —	\$ —	\$ —	\$ —	\$ 2,733	\$ 2,797	\$ 259	\$ (2,538)
—	—	—	—	48,052	48,152	51,021	2,869
—	—	32	32	147,560	146,731	159,137	12,406
—	—	32	32	198,345	197,680	210,417	12,737
—	—	—	—	859	8,357	3,909	4,448
—	—	—	—	381	4,809	1,871	2,938
—	—	—	—	577	10,179	259	9,920
—	—	—	—	16,106	21,436	3,651	17,785
—	—	—	—	71,112	165,592	144,028	21,564
—	—	—	—	89,035	210,373	153,718	56,655
—	—	32	32	109,310	(12,693)	56,699	69,392
—	—	—	—	—	9,281	9,280	(1)
—	—	—	—	(29,543)	(109,317)	(109,315)	2
—	—	—	—	(29,543)	(100,036)	(100,035)	1
—	—	32	32	79,767	(112,729)	(43,336)	69,393
2,094	2,097	2,097	—	706,562	681,999	681,999	—
<u>\$ 2,094</u>	<u>\$ 2,097</u>	<u>\$ 2,129</u>	<u>\$ 32</u>	<u>\$ 786,329</u>	<u>\$ 569,270</u>	<u>\$ 638,663</u>	<u>\$ 69,393</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.

[THIS PAGE INTENTIONALLY LEFT BLANK]

LOS ANGELES UNIFIED SCHOOL DISTRICT
Internal Service Funds
Combining Statement of Net Position
June 30, 2018
(in thousands)

	Health and Welfare Benefits	Workers' Compensation Self-Insurance	Liability Self-Insurance	Total
Assets:				
Cash in county treasury, in banks, and on hand	\$ 309,365	\$ 517,821	\$ 141,661	\$ 968,847
Accounts receivable – net	24,442	—	—	24,442
Accrued interest and dividends receivable	2,219	2,894	575	5,688
Prepays	49,031	—	388	49,419
Other assets	6,116	—	—	6,116
Total Assets	<u>391,173</u>	<u>520,715</u>	<u>142,624</u>	<u>1,054,512</u>
Deferred Outflows of Resources	<u>1,887</u>	<u>2,556</u>	<u>1,326</u>	<u>5,769</u>
Liabilities:				
Current:				
Vouchers and accounts payable	3,279	2,002	83	5,364
Accrued payroll	235	325	221	781
Other payables	40,566	—	52	40,618
Estimated liability for self-insurance claims	25,798	91,907	90,504	208,209
Total Current Liabilities	<u>69,878</u>	<u>94,234</u>	<u>90,860</u>	<u>254,972</u>
Noncurrent:				
Estimated liability for self-insurance claims	—	363,499	49,440	412,939
Net other postemployment benefits liability	8,570	11,558	5,688	25,816
Net pension liability	3,914	5,306	2,771	11,991
Total Noncurrent Liabilities	<u>12,484</u>	<u>380,363</u>	<u>57,899</u>	<u>450,746</u>
Total Liabilities	<u>82,362</u>	<u>474,597</u>	<u>148,759</u>	<u>705,718</u>
Deferred Inflows of Resources	<u>1,699</u>	<u>2,296</u>	<u>1,158</u>	<u>5,153</u>
Total Net Position – Unrestricted	<u>\$ 308,999</u>	<u>\$ 46,378</u>	<u>\$ (5,967)</u>	<u>\$ 349,410</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 Position
Year Ended June 30, 2018
(in thousands)

	Health and Welfare Benefits	Workers' Compensation Self-Insurance	Liability Self-Insurance	Total
Operating Revenues:				
In-District premiums	\$ 1,065,094	\$ 117,364	\$ 39,818	\$ 1,222,276
Others	2,298	—	—	2,298
Total Operating Revenues	<u>1,067,392</u>	<u>117,364</u>	<u>39,818</u>	<u>1,224,574</u>
Operating Expenses:				
Certificated salaries	—	—	112	112
Classified salaries	2,188	2,912	1,532	6,632
Employee benefits	1,933	1,824	822	4,579
Supplies	242	14	10	266
Premiums and claims expenses	1,054,255	67,608	38,458	1,160,321
Claims administration	3,060	13,294	584	16,938
Other contracted services	1,168	457	393	2,018
Total Operating Expenses	<u>1,062,846</u>	<u>86,109</u>	<u>41,911</u>	<u>1,190,866</u>
Operating Income (Loss)	<u>4,546</u>	<u>31,255</u>	<u>(2,093)</u>	<u>33,708</u>
Nonoperating Revenues (Expenses):				
Investment income	5,875	8,143	1,741	15,759
Miscellaneous expense	—	(54)	—	(54)
Total Nonoperating Revenues	<u>5,875</u>	<u>8,089</u>	<u>1,741</u>	<u>15,705</u>
Changes in Net Position	10,421	39,344	(352)	49,413
Total Net Position, July 1, 2017, Restated	<u>298,578</u>	<u>7,034</u>	<u>(5,615)</u>	<u>299,997</u>
Total Net Position, June 30, 2018	<u>\$ 308,999</u>	<u>\$ 46,378</u>	<u>\$ (5,967)</u>	<u>\$ 349,410</u>

See accompanying independent auditor's report.

LOS ANGELES UNIFIED SCHOOL DISTRICT
Internal Service Funds
Combining Statement of Cash Flows
Year Ended June 30, 2018
(in thousands)

	Health and Welfare Benefits	Workers' Compensation Self-Insurance	Liability Self-Insurance	Total
Cash Flows from Operating Activities:				
Cash payments to employees for services	\$ (3,422)	\$ (4,558)	\$ (2,555)	\$ (10,535)
Cash payments for goods and services	(1,035,833)	(121,860)	(31,529)	(1,189,222)
Receipts from assessment to other funds	1,065,094	117,364	39,819	1,222,277
Other operating revenue	2,297	—	—	2,297
Net Cash Provided (Used) by Operating Activities	<u>28,136</u>	<u>(9,054)</u>	<u>5,735</u>	<u>24,817</u>
Cash Flows from Investing Activities:				
Earnings on investments	5,558	7,774	1,675	15,007
Net Cash Provided by Investing Activities	<u>5,558</u>	<u>7,774</u>	<u>1,675</u>	<u>15,007</u>
Net Increase (Decrease) in Cash and Cash Equivalents	33,694	(1,280)	7,410	39,824
Cash and Cash Equivalents, July 1	275,671	519,101	134,251	929,023
Cash and Cash Equivalents, June 30	<u>\$ 309,365</u>	<u>\$ 517,821</u>	<u>\$ 141,661</u>	<u>\$ 968,847</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:				
Operating Income (Loss)	\$ 4,546	\$ 31,255	\$ (2,093)	\$ 33,708
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Net increase (decrease) in pension and other postemployment benefits expense from actuarial valuation	665	211	(36)	840
Change in Assets: Decrease (Increase)				
Accounts receivable	(597)	—	—	(597)
Prepays	(1,828)	—	388	(1,440)
Other assets	(315)	—	—	(315)
Change in Liabilities: Increase (Decrease)				
Vouchers and accounts payable	2,238	(245)	28	2,021
Accrued payroll	34	(33)	(54)	(53)
Other payables	20,502	—	(35)	20,467
Estimated liability for self-insurance claims – current	2,891	(7,285)	5,353	959
Estimated liability for self-insurance claims – noncurrent	—	(32,957)	2,184	(30,773)
Total Adjustments	<u>23,590</u>	<u>(40,309)</u>	<u>7,828</u>	<u>(8,891)</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 28,136</u>	<u>\$ (9,054)</u>	<u>\$ 5,735</u>	<u>\$ 24,817</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.

The Payroll Agency Fund was established to account for cash held by the District consisting of state and federal income taxes, social security taxes, retirement deductions and other amounts withheld from the payroll checks of employees, from which a legal or contractual obligation exists to remit monies to a third party.

[THIS PAGE INTENTIONALLY LEFT BLANK]

LOS ANGELES UNIFIED SCHOOL DISTRICT
Fiduciary Funds – Agency Funds
Combining Statement of Changes in Assets and Liabilities
Year Ended June 30, 2018
(in thousands)

	<u>Balance</u> <u>June 30, 2017</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2018</u>
<u>Payroll Agency Fund</u>				
Assets				
Cash in county treasury, in banks, and on hand	\$ 139,562	\$ 7,182,082	\$ 7,219,372	\$ 102,272
Total Assets	<u>\$ 139,562</u>	<u>\$ 7,182,082</u>	<u>\$ 7,219,372</u>	<u>\$ 102,272</u>
Liabilities				
Other payables	\$ 139,562	\$ 7,174,551	\$ 7,211,841	\$ 102,272
Total Liabilities	<u>\$ 139,562</u>	<u>\$ 7,174,551</u>	<u>\$ 7,211,841</u>	<u>\$ 102,272</u>
<u>Attendance Incentive Reserve Fund</u>				
Assets				
Cash in county treasury, in banks, and on hand	\$ 84	\$ 72	\$ 156	\$ —
Accounts Receivable	1	—	1	—
Accrued interest receivable	69	—	69	—
Total Assets	<u>\$ 154</u>	<u>\$ 72</u>	<u>\$ 226</u>	<u>\$ —</u>
Liabilities				
Other payables	\$ 154	\$ 109	\$ 263	\$ —
Total Liabilities	<u>\$ 154</u>	<u>\$ 109</u>	<u>\$ 263</u>	<u>\$ —</u>
<u>Student Body Fund</u>				
Assets				
Cash in county treasury, in banks, and on hand	\$ 25,094	\$ 54,334	\$ 51,474	\$ 27,954
Total Assets	<u>\$ 25,094</u>	<u>\$ 54,334</u>	<u>\$ 51,474</u>	<u>\$ 27,954</u>
Liabilities				
Other payables	\$ 25,094	\$ 54,334	\$ 51,474	\$ 27,954
Total Liabilities	<u>\$ 25,094</u>	<u>\$ 54,334</u>	<u>\$ 51,474</u>	<u>\$ 27,954</u>
<u>Total Agency Funds</u>				
Assets				
Cash in county treasury, in banks, and on hand	\$ 164,740	\$ 7,236,488	\$ 7,271,002	\$ 130,226
Accounts receivable – net	1	—	1	—
Accrued interest receivable	69	—	69	—
Total Assets	<u>\$ 164,810</u>	<u>\$ 7,236,488</u>	<u>\$ 7,271,072</u>	<u>\$ 130,226</u>
Liabilities				
Other payables	\$ 164,810	\$ 7,228,994	\$ 7,263,578	\$ 130,226
Total Liabilities	<u>\$ 164,810</u>	<u>\$ 7,228,994</u>	<u>\$ 7,263,578</u>	<u>\$ 130,226</u>

See accompanying independent auditor's report.



**SUPPLEMENTARY
INFORMATION**

[THIS PAGE INTENTIONALLY LEFT BLANK]

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

Fiscal Year	Secured*	Unsecured*	Total Assessed Value	Total District Tax Rates	Increase (Decrease) Over Preceding Year		Total A.D.A.**	Assessed Value per Unit of A.D.A.
					Amount	Rate		
2008-2009	\$ 451,191,875	\$ 23,597,923	\$ 474,789,798	1.124782	\$ 33,875,408	7.68 %	693,633	\$ 684
2009-2010	451,127,882	23,849,409	474,977,291	1.151809	187,493	0.04	576,963 ^a	823
2010-2011	442,092,473	21,753,078	463,845,551	1.186954	(11,131,740)	(2.34)	565,450 ^a	820
2011-2012	447,830,204	21,265,021	469,095,225	1.168187	5,249,674	1.13	547,592 ^a	857
2012-2013	458,767,053	21,308,439	480,075,492	1.175606	10,980,267	2.34	534,345 ^a	898
2013-2014	482,043,584	21,634,336	503,677,920	1.146439	23,602,428	4.92	527,562 ^b	955
2014-2015	510,371,502	22,562,705	532,934,207	1.146881	29,256,287	5.81	515,745	1,033
2015-2016	546,807,059	23,362,405	570,169,464	1.129709	37,235,257	6.99	503,213	1,133
2016-2017	581,473,213	24,495,794	605,969,007	1.131096	35,799,543	6.28	489,383	1,238
2017-2018	619,162,082	25,342,665	644,504,747	1.122192	38,535,740	6.36	477,987	1,348

* Source: Los Angeles County Auditor-Controller "Taxpayers' Guide." Taxes which constitute a lien on real property are referred to as "secured." Almost all real property taxes are secured. Most personal property taxes are "unsecured." Some taxes on personal property may also be secured to the real property of the assessee, upon request and subject to certain conditions.

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

^a Adult and Summer School programs were not collected due to changes made by Education Code Section 42605. Districts were not required to operate the program or follow program requirements. Revenue for these years were based on the same relative proportion that the District received for these programs in fiscal year 2007-08.

^b Starting 2013-14, Local Control Funding Formula (LCFF) replaced the previous K-12 finance system with a new funding formula which is composed of uniform base grants by grade span (K-3, 4-6, 7-8, 9-12).

See accompanying independent auditor's report and notes to supplementary information.

LOS ANGELES UNIFIED SCHOOL DISTRICT
Largest Local Secured Taxpayers
Current Year and Nine Years Ago
(in thousands)
(unaudited)

2018				2009			
Rank	Property Owner	Assessed Valuation	% of Total ⁽¹⁾	Property Owner	Assessed Valuation	% of Total ⁽²⁾	
1	Douglas Emmett LLC	\$ 2,789,993	0.45%	Douglas Emmett Realty Funds	\$ 2,167,212	0.48%	
2	Universal Studios LLC	2,410,257	0.39	Universal Studios LLC	1,399,114	0.31	
3	Essex Portfolio LP	1,403,757	0.23	Anheuser Busch Inc.	947,307	0.21	
4	FSP South Flower Street	899,773	0.15	One Hundred Towers LLC	566,061	0.13	
5	Rochelle H. Sterling	753,507	0.12	Duesenberg Investment Co.	486,057	0.11	
6	Anheuser Busch Inc.	744,693	0.12	Casden Park La Brea A LLC	461,752	0.10	
7	One Hundred Towers LLC	639,863	0.10	Donald T. Sterling	455,918	0.10	
8	Century City Mall LLC	639,283	0.10	Taubman-Beverly Center	447,467	0.10	
9	Trizec 333 LA LLC	628,424	0.10	Trizec 333 LA LLC	437,580	0.10	
10	Maguire Partners 355 S. Grand LLC	587,705	0.09	Century City Mall LLC	431,294	0.10	
11	Tishman Speyer Archstone Smith	561,093	0.09	Topanga Plaza LP	430,593	0.10	
12	Olympic and Georgia Partners LLC	552,606	0.09	Paramount Pictures Corp.	416,124	0.09	
13	BRE HH Property Owner LLC	531,505	0.09	Maguire Partners Two Cal Plaza	383,520	0.09	
14	Paramount Pictures Corp.	530,130	0.09	Arden Realty LP	374,558	0.08	
15	LA Live Properties LLC	529,178	0.09	Rreef America REIT II Corp.	371,423	0.08	
16	Palmer Flower Street Properties	520,212	0.08	Trizec 501 Figueroa LLC	369,240	0.08	
17	Maguire Properties 555 W. Fifth	515,426	0.08	Twentieth Century Fox Film Corp.	361,388	0.08	
18	CJDB LLC, Lessor	506,432	0.08	2121 Avenue of the Stars	359,000	0.08	
19	Casden Park, La Brea A, B & C LLC	496,173	0.08	BP West Coast Products LLC	339,265	0.08	
20	Maguire Properties 355 S. Grand	473,198	0.08	AP Properties Ltd.	325,284	0.07	
		<u>\$ 16,713,208</u>	<u>2.70%</u>		<u>\$ 11,530,157</u>	<u>2.57%</u>	

⁽¹⁾ 2017-18 Local Secured Assessed Valuation: \$618,990,234

⁽²⁾ 2008-09 Local Secured Assessed Valuation: \$451,111,344

Source: California Municipal Statistics, Inc.

See accompanying independent auditor's report and notes to supplementary information.

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

Fiscal Year	Total Tax Levy	ERAF Funds ⁽¹⁾	Current Tax Collections	Percent of Current Taxes Collected	Delinquent Tax Collections ⁽²⁾	Total Tax Collections	Ratio of Total Tax Collections to Total Tax Levy
2008-2009	\$ 1,481,739	\$ (2,660)	\$ 1,372,078	92.77%	\$ 114,292	\$ 1,486,370	100.49%
2009-2010	1,597,579	41,685	1,505,933	91.87	112,277	1,618,210	98.72
2010-2011	1,711,575	29,419	1,602,345	92.04	102,970	1,705,315	97.95
2011-2012	1,663,061	(3,533)	1,520,001	91.59	97,842	1,617,843	97.49
2012-2013	1,731,129	114,465	1,798,032	97.42	132,847	1,930,879	104.62
2013-2014	1,652,164	26,846	1,684,486	100.33	29,409	1,713,895	102.08
2014-2015	1,779,935	35,339	1,798,657	99.08	38,226	1,836,883	101.19
2015-2016	1,799,477	171,532	1,959,111	99.40	31,529	1,990,640	101.00
2016-2017	1,904,567	232,966	2,107,292	98.59	25,977	2,133,269	99.80
2017-2018	1,985,501	255,167	2,184,304	97.48	49,404	2,233,708	99.69

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

⁽²⁾ Includes prior years' delinquencies. The Auditor-Controller has determined that they cannot provide delinquent tax information by levy year.

See accompanying independent auditor's report and notes to supplementary information.

LOS ANGELES UNIFIED SCHOOL DISTRICT
Average Daily Attendance/Hours of Attendance
Annual Report
Last Ten Fiscal Years
(unaudited)

	<u>2008-2009</u>	<u>2009-2010</u>
Elementary:		
Kindergarten	44,393	43,906
Grades 1-3	138,384	134,001
Grades 4-6	131,692	127,455
Grades 7-8	86,871	82,465
Special Education	19,897	19,204
County Special Education	—	1
Opportunity Schools	10	7
Home or Hospital	123	118
Community Day Schools	122	126
County Community Schools	22	21
Total Elementary	<u>421,514</u>	<u>407,304</u>
Secondary:		
Regular Classes	151,451	146,707
Special Education	10,905	10,960
County Special Education	—	1
Compulsory Continuation Education	3,085	3,339
Opportunity Schools	455	492
Home or Hospital	109	99
Community Day Schools	772	915
County Community Schools	81	240
Total Secondary	<u>166,858</u>	<u>162,753</u>
Block grant funded fiscally affiliated charters	<u>6,655</u>	<u>6,906</u>
Total Block Grant Funded Fiscally Affiliated Charters	<u>6,655</u>	<u>6,906</u>
Adult program:		
ROC/P Mandated	23,379	**
Classes for Adults – Mandated	66,905	**
Concurrently Enrolled Adults	8,297	**
Full-time Independent Study*	25	**
Total Adult Program	<u>98,606</u>	<u>—</u>
Total Average Daily Attendance	<u>693,633</u>	<u>576,963</u>
Summer School Hours of Attendance		
Elementary	8,567,366	**
Secondary	7,203,657	**
Dependent Charter	***	**
Total Hours	<u>15,771,023</u>	<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 were not required to operate the program or follow program requirements. Revenue for these years were 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 and notes to supplementary information.

<u>2010-2011</u>	<u>2011-2012</u>	<u>2012-2013</u>
43,364	43,737	42,093
130,846	127,081	120,880
124,800	119,257	111,082
78,704	73,733	68,461
19,250	18,522	17,966
1	1	1
7	8	8
127	107	118
85	94	103
11	15	8
<u>397,195</u>	<u>382,555</u>	<u>360,720</u>
143,979	135,549	129,037
11,252	10,709	10,513
—	1	—
3,507	3,602	3,623
494	506	492
98	101	101
911	933	852
148	137	175
<u>160,389</u>	<u>151,538</u>	<u>144,793</u>
<u>7,866</u>	<u>13,499</u>	<u>28,832</u>
<u>7,866</u>	<u>13,499</u>	<u>28,832</u>
**	**	**
**	**	**
**	**	**
**	**	**
<u>—</u>	<u>—</u>	<u>—</u>
<u>565,450</u>	<u>547,592</u>	<u>534,345</u>
**	**	**
**	**	**
**	**	**
<u>—</u>	<u>—</u>	<u>—</u>

(Continued)

LOS ANGELES UNIFIED SCHOOL DISTRICT
Average Daily Attendance/Hours of Attendance
Annual Report (Continued)
Last Ten Fiscal Years
(unaudited)

	<u>2013-2014</u>	<u>2014-2015</u>	<u>2015-2016</u>	<u>2016-2017</u>	<u>2017-2018</u>
District:					
Kindergarten-Grade 3	168,219.59	163,766.40	159,034.61	153,237.92	149,124.02
Grades 4-6	114,458.03	112,308.60	111,528.46	108,975.84	106,905.97
Grades 7-8	71,338.82	68,415.44	65,591.77	64,024.98	62,232.10
Grades 9-12	<u>133,233.66</u>	<u>130,676.24</u>	<u>126,932.24</u>	<u>121,581.72</u>	<u>119,161.14</u>
Total District	<u>487,250.10</u>	<u>475,166.68</u>	<u>463,087.08</u>	<u>447,820.46</u>	<u>437,423.23</u>
County:					
Kindergarten-Grade 3	0.00	0.00	0.00	0.00	0.00
Grades 4-6	1.23	1.38	1.23	0.00	0.00
Grades 7-8	7.85	5.12	3.18	2.71	2.42
Grades 9-12	<u>670.05</u>	<u>628.23</u>	<u>489.84</u>	<u>417.13</u>	<u>354.29</u>
Total County	<u>679.13</u>	<u>634.73</u>	<u>494.25</u>	<u>419.84</u>	<u>356.71</u>
Affiliated Charter Schools:					
Kindergarten-Grade 3	16,012.86	15,913.38	15,866.33	15,792.20	15,299.81
Grades 4-6	10,393.49	10,505.83	10,545.58	10,552.33	10,475.03
Grades 7-8	5,758.33	6,070.36	6,000.47	6,037.96	5,916.09
Grades 9-12	<u>7,468.47</u>	<u>7,454.27</u>	<u>7,219.75</u>	<u>8,760.14</u>	<u>8,516.49</u>
Total Affiliated Charter Schools	<u>39,633.15</u>	<u>39,943.84</u>	<u>39,632.13</u>	<u>41,142.63</u>	<u>40,207.42</u>
Total Average Daily Attendance	<u>527,562.38</u>	<u>515,745.25</u>	<u>503,213.46</u>	<u>489,382.93</u>	<u>477,987.36</u>

Note: Starting 2013-14, Local Control Funding Formula (LCFF) replaced the previous K-12 finance system with a new funding formula which is composed of uniform base grants by grade span (K-3, 4-6, 7-8, 9-12).

See accompanying independent auditor's report and notes to supplementary information.

LOS ANGELES UNIFIED SCHOOL DISTRICT
 Organization Structure
 Year Ended June 30, 2018
 (unaudited)

Geographical Location: The Los Angeles Unified School District is a political subdivision of the State of California. It is located in the western section of Los Angeles County and includes most of the City of Los Angeles, all the Cities of Cudahy, Gardena, Huntington Park, Lomita, Maywood, San Fernando, Vernon, and West Hollywood, and portions of the Cities of Bell, Bell Gardens, Beverly Hills, Calabasas, Carson, Commerce, Culver City, Hawthorne, Inglewood, Long Beach, Lynwood, Montebello, Monterey Park, Rancho Palos Verdes, Santa Clarita, South Gate, and Torrance, 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 voters within the district to serve alternating five-year terms. The term was extended in 2015 by Charter Amendment 2.

<u>Name</u>	<u>Board District</u>	<u>Expiration of Term</u>
Mónica García, President	2	December 11, 2022
George McKenna	1	December 13, 2020
Scott Schmerelson	3	December 13, 2020
Nick Melvojn	4	December 11, 2022
Vacant	5	December 13, 2020
Kelly Gonez	6	December 11, 2022
Richard Vladovic	7	December 13, 2020

<u>Name</u>	<u>Title</u>
Austin Beutner	Superintendent of Schools
Vivian Ekchian	Deputy Superintendent
Beth Kauffman	Associate Superintendent
Frances Gipson	Chief Academic Officer
Shahryar Khazei	Chief Information Officer
Mark Hovatter	Chief Facilities Executive
Scott Price	Chief Financial Officer
Shannon Haber	Chief Communications Officer
Steven Zipperman	Chief of LA School Police
David Holmquist	General Counsel
Karla Gould	Personnel Director

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

Fiscal Year: July 1 – June 30

Number of Schools:	<u>2014-2015</u>	<u>2015-2016</u>	<u>2016-2017</u>	<u>2017-2018</u>
(As of October)				
Elementary Schools	455	451	449	448
Middle/Junior High Schools	84	83	82	82
Senior High Schools	96	97	95	94
Options Schools	55	54	54	54
Special Education Schools	15	15	14	14
Magnet Schools	39	43	47	49
Magnet Centers	152	156	168	177
Community Adult Schools	6	2	2	2
Regional Occupational Centers	3	6	6	6
Skills Centers	1	2	3	3
Early Education Centers	86	86	86	86
Infant Centers	4	4	4	4
Primary School Centers	18	18	19	19
Multi-level Schools	20	23	24	25
Total Schools and Centers	<u>1,034</u>	<u>1,040</u>	<u>1,053</u>	<u>1,063</u>
Independent Charter Schools	<u>211</u>	<u>221</u>	<u>225</u>	<u>224</u>

See accompanying independent auditor's report.

LOS ANGELES UNIFIED SCHOOL DISTRICT
Schedule of Average Daily Attendance/Hours of Attendance
Year Ended June 30, 2018

	<u>Second Period Report</u>	<u>Annual Report</u>	<u>Audited Second Period Report</u>	<u>Audited Annual Report</u>
District				
Kindergarten-Grade 3	148,415.92	149,124.02	148,411.16 *	149,119.27 *
Grades 4-6	107,006.95	106,905.97	107,006.95	106,905.97
Grades 7-8	62,304.41	62,232.10	62,304.41	62,232.10
Grades 9-12	119,956.96	119,161.14	119,956.96	119,161.14
Total District	<u>437,684.24</u>	<u>437,423.23</u>	<u>437,679.48</u>	<u>437,418.48</u>
County				
Kindergarten-Grade 3	0.00	0.00	0.00	0.00
Grades 4-6	0.00	0.00	0.00	0.00
Grades 7-8	1.99	2.42	1.99	2.42
Grades 9-12	369.42	354.29	369.42	354.29
Total County	<u>371.41</u>	<u>356.71</u>	<u>371.41</u>	<u>356.71</u>
Affiliated Charter Schools				
Kindergarten-Grade 3	15,310.83	15,299.81	15,310.83	15,299.81
Grades 4-6	10,488.33	10,475.03	10,488.33	10,475.03
Grades 7-8	5,928.33	5,916.09	5,928.33	5,916.09
Grades 9-12	8,566.95	8,516.49	8,566.95	8,516.49
Total Affiliated Charter Schools	<u>40,294.44</u>	<u>40,207.42</u>	<u>40,294.44</u>	<u>40,207.42</u>
Total Average Daily Attendance	<u><u>478,350.09</u></u>	<u><u>477,987.36</u></u>	<u><u>478,345.33</u></u>	<u><u>477,982.61</u></u>

* Adjustments based on audit finding S-2018-004.

See accompanying independent auditor's report and notes to supplementary information.



LOS ANGELES UNIFIED SCHOOL DISTRICT
Schedule of Average Daily Attendance – Affiliated Charter Schools
Year Ended June 30, 2018

		TK/K to Grade 3 ADA				
<u>Name of Affiliated Charter School</u>	<u>CDS Code</u>	<u>Total</u>		<u>Classroom-based</u>		
		<u>Second Period Report</u>	<u>Annual Report</u>	<u>Second Period Report</u>	<u>Annual Report</u>	
1	Alexander (Dr. Theodore, Jr.) Science Center	19 64733 0102491	430.78	428.30	430.78	428.30
2	Beckford Charter for Enriched Studies	19 64733 6015986	363.20	363.61	363.20	363.61
3	Calabash Charter Academy	19 64733 6016240	287.83	286.96	287.83	286.96
4	Calahan Community Charter	19 64733 6016257	351.25	350.47	351.25	350.47
5	Calvert Charter for Enriched Studies	19 64733 6016265	262.15	261.64	262.15	261.64
6	Canyon Charter Elementary School	19 64733 6016323	258.71	259.93	258.71	259.93
7	Carpenter Community Charter School	19 64733 6016356	663.78	663.85	663.78	663.85
8	Castlebay Lane Elementary School	19 64733 6071435	471.74	471.33	471.74	471.33
9	Chandler Learning Academy	19 64733 6016422	356.35	355.52	356.35	355.52
10	Chatsworth Charter High School	19 64733 1931708	0.00	0.00	0.00	0.00
11	Cleveland (Grover) Charter High School	19 64733 1931864	0.00	0.00	0.00	0.00
12	Colfax Charter Elementary School	19 64733 6016562	425.64	425.68	425.64	425.68
13	Community Magnet Charter Elementary School	19 64733 6094726	259.57	259.09	259.57	259.09
14	Darby Avenue Charter	19 64733 6016703	295.09	294.70	295.09	294.70
15	Dearborn Elementary Charter Academy	19 64733 6016729	348.95	349.29	348.95	349.29
16	Dixie Canyon Community Charter School	19 64733 6016778	517.64	518.74	517.64	518.74
17	El Oro Way Charter For Enriched Studies	19 64733 6016869	287.08	287.41	287.08	287.41
18	Emelita Academy Charter	19 64733 6016901	278.85	278.47	278.85	278.47
19	Emerson Community Charter	19 64733 6057988	0.00	0.00	0.00	0.00
20	Enadia Technology Enriched Charter	19 64733 0117036	167.43	167.64	167.43	167.64
21	Encino Charter Elementary School	19 64733 6016935	374.85	376.26	374.85	376.26
22	Granada Community Charter	19 64733 6017339	290.65	290.94	290.65	290.94
23	Hale (George Ellery) Charter Academy	19 64733 6061477	0.00	0.00	0.00	0.00
24	Hamlin Charter Academy	19 64733 6017438	203.90	203.35	203.90	203.35
25	Haynes Charter For Enriched Studies	19 64733 6017529	262.32	261.17	262.32	261.17
26	Hesby Oaks Leadership Charter	19 64733 0112060	201.37	201.12	201.37	201.12
27	Justice Street Academy Charter School	19 64733 6017693	244.74	243.91	244.74	243.91
28	Kenter Canyon Elementary Charter	19 64733 6017701	359.22	358.91	359.22	358.91
29	Knollwood Preparatory Academy	19 64733 6017743	265.25	264.86	265.25	264.86
30	Lockhurst Drive Charter Elementary	19 64733 6017891	331.95	330.63	331.95	330.63
31	Marquez Charter School	19 64733 6018063	344.03	343.89	344.03	343.89
32	Millikan (Robert A.) Affiliated Charter and Performing Arts Magnet Middle School	19 64733 6058150	0.00	0.00	0.00	0.00
33	Nestle Avenue Charter School	19 64733 6018287	348.36	347.86	348.36	347.86
34	Nobel (Alred B.) Middle School	19 64733 6061543	0.00	0.00	0.00	0.00
35	Open Charter Magnet School	19 64733 6097927	253.72	253.33	253.72	253.33
36	Palisades Charter Elementary	19 64733 6018634	314.20	314.42	314.20	314.42
37	Plainview Academic Charter Academy	19 64733 6018725	173.25	173.84	173.25	173.84
38	Pomelo Community Charter School	19 64733 6018774	405.00	403.49	405.00	403.49
39	Revere (Paul) Charter Middle School	19 64733 6058267	0.00	0.00	0.00	0.00
40	Riverside Drive Charter School	19 64733 6018923	402.16	399.91	402.16	399.91
41	Serrania Avenue Charter School for Enriched Studies	19 64733 6019111	451.86	452.36	451.86	452.36
42	Sherman Oaks Elementary Charter School	19 64733 6019186	575.45	575.34	575.45	575.34
43	Superior Street Elementary	19 64733 6019392	320.03	319.76	320.03	319.76
44	Sylmar Charter High School	19 64733 1938554	0.00	0.00	0.00	0.00
45	Taft Charter High School	19 64733 1938612	0.00	0.00	0.00	0.00
46	Topanga Elementary Charter School	19 64733 6019525	199.48	200.04	199.48	200.04
47	Topeka Charter School For Advanced Studies	19 64733 6019533	397.50	397.24	397.50	397.24
48	Van Gogh Charter School	19 64733 6019673	311.48	311.06	311.48	311.06
49	Welby Way Charter Elementary and Gifted-High Ability Magnet	19 64733 6019855	476.30	476.04	476.30	476.04
50	Westwood Charter Elementary School	19 64733 6019939	556.71	556.10	556.71	556.10
51	Wilbur Charter For Enriched Academics	19 64733 6019954	423.05	423.80	423.05	423.80
52	Woodlake Elementary Community Charter	19 64733 6020036	340.07	340.67	340.07	340.67
53	Woodland Hills Elementary Charter For Enriched Studies	19 64733 6020044	457.89	456.88	457.89	456.88
Total Affiliated Charter Schools Average Daily Attendance			<u>15,310.83</u>	<u>15,299.81</u>	<u>15,310.83</u>	<u>15,299.81</u>

See accompanying independent auditor's report and notes to supplementary information.

Grades 4-6 ADA				Grades 7-8 ADA			
Total		Classroom-based		Total		Classroom-based	
Second Period Report	Annual Report	Second Period Report	Annual Report	Second Period Report	Annual Report	Second Period Report	Annual Report
182.59	181.16	182.59	181.16	0.00	0.00	0.00	0.00
225.61	225.19	225.61	225.19	0.00	0.00	0.00	0.00
123.26	122.92	123.26	122.92	0.00	0.00	0.00	0.00
189.01	189.53	189.01	189.53	0.00	0.00	0.00	0.00
122.69	121.69	122.69	121.69	0.00	0.00	0.00	0.00
116.41	116.88	116.41	116.88	0.00	0.00	0.00	0.00
311.83	311.73	311.83	311.73	0.00	0.00	0.00	0.00
243.41	243.57	243.41	243.57	0.00	0.00	0.00	0.00
132.04	131.44	132.04	131.44	0.00	0.00	0.00	0.00
0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
200.61	200.66	200.61	200.66	0.00	0.00	0.00	0.00
175.09	174.77	175.09	174.77	0.00	0.00	0.00	0.00
156.58	156.11	156.58	156.11	0.00	0.00	0.00	0.00
190.94	190.90	190.94	190.90	0.00	0.00	0.00	0.00
193.74	193.07	193.74	193.07	0.00	0.00	0.00	0.00
164.09	164.05	164.09	164.05	0.00	0.00	0.00	0.00
118.25	119.39	118.25	119.39	0.00	0.00	0.00	0.00
196.25	195.30	196.25	195.30	389.29	388.38	389.29	388.38
76.49	76.72	76.49	76.72	0.00	0.00	0.00	0.00
178.34	179.02	178.34	179.02	0.00	0.00	0.00	0.00
120.60	120.85	120.60	120.85	0.00	0.00	0.00	0.00
784.78	781.87	784.78	781.87	1,326.37	1,322.56	1,326.37	1,322.56
110.19	110.13	110.19	110.13	0.00	0.00	0.00	0.00
140.40	140.00	140.40	140.00	0.00	0.00	0.00	0.00
197.22	196.70	197.22	196.70	139.16	139.17	139.16	139.17
125.96	126.04	125.96	126.04	0.00	0.00	0.00	0.00
176.90	177.14	176.90	177.14	0.00	0.00	0.00	0.00
141.91	141.13	141.91	141.13	0.00	0.00	0.00	0.00
128.89	129.22	128.89	129.22	0.00	0.00	0.00	0.00
166.68	166.06	166.68	166.06	0.00	0.00	0.00	0.00
578.05	576.11	578.05	576.11	1,161.16	1,157.00	1,161.16	1,157.00
149.70	150.07	149.70	150.07	0.00	0.00	0.00	0.00
784.19	782.96	784.19	782.96	1,560.47	1,560.62	1,560.47	1,560.62
135.32	135.37	135.32	135.37	0.00	0.00	0.00	0.00
164.19	164.04	164.19	164.04	0.00	0.00	0.00	0.00
106.15	107.25	106.15	107.25	0.00	0.00	0.00	0.00
210.71	210.13	210.71	210.13	0.00	0.00	0.00	0.00
674.55	673.17	674.55	673.17	1,351.88	1,348.36	1,351.88	1,348.36
171.92	171.07	171.92	171.07	0.00	0.00	0.00	0.00
188.09	187.56	188.09	187.56	0.00	0.00	0.00	0.00
226.87	227.73	226.87	227.73	0.00	0.00	0.00	0.00
169.27	169.26	169.27	169.26	0.00	0.00	0.00	0.00
0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
80.19	79.99	80.19	79.99	0.00	0.00	0.00	0.00
189.74	188.95	189.74	188.95	0.00	0.00	0.00	0.00
140.91	140.57	140.91	140.57	0.00	0.00	0.00	0.00
317.65	317.42	317.65	317.42	0.00	0.00	0.00	0.00
238.86	239.13	238.86	239.13	0.00	0.00	0.00	0.00
188.63	188.72	188.63	188.72	0.00	0.00	0.00	0.00
173.19	173.64	173.19	173.64	0.00	0.00	0.00	0.00
209.39	208.65	209.39	208.65	0.00	0.00	0.00	0.00
<u>10,488.33</u>	<u>10,475.03</u>	<u>10,488.33</u>	<u>10,475.03</u>	<u>5,928.33</u>	<u>5,916.09</u>	<u>5,928.33</u>	<u>5,916.09</u>

(Continued)

LOS ANGELES UNIFIED SCHOOL DISTRICT
Schedule of Average Daily Attendance – Affiliated Charter Schools (Continued)
Year Ended June 30, 2018

		Grades 9-12 ADA				
Name of Affiliated Charter School	CDS Code	Total		Classroom-based		
		Second Period Report	Annual Report	Second Period Report	Annual Report	
1	Alexander (Dr. Theodore, Jr.) Science Center	19 64733 0102491	0.00	0.00	0.00	0.00
2	Beckford Charter for Enriched Studies	19 64733 6015986	0.00	0.00	0.00	0.00
3	Calabash Charter Academy	19 64733 6016240	0.00	0.00	0.00	0.00
4	Calahan Community Charter	19 64733 6016257	0.00	0.00	0.00	0.00
5	Calvert Charter for Enriched Studies	19 64733 6016265	0.00	0.00	0.00	0.00
6	Canyon Charter Elementary School	19 64733 6016323	0.00	0.00	0.00	0.00
7	Carpenter Community Charter School	19 64733 6016356	0.00	0.00	0.00	0.00
8	Castlebay Lane Elementary School	19 64733 6071435	0.00	0.00	0.00	0.00
9	Chandler Learning Academy	19 64733 6016422	0.00	0.00	0.00	0.00
10	Chatsworth Charter High School	19 64733 1931708	1,751.89	1,736.90	1,751.89	1,736.90
11	Cleveland (Grover) Charter High School	19 64733 1931864	3,004.49	2,992.28	3,004.49	2,992.28
12	Colfax Charter Elementary School	19 64733 6016562	0.00	0.00	0.00	0.00
13	Community Magnet Charter Elementary School	19 64733 6094726	0.00	0.00	0.00	0.00
14	Darby Avenue Charter	19 64733 6016703	0.00	0.00	0.00	0.00
15	Dearborn Elementary Charter Academy	19 64733 6016729	0.00	0.00	0.00	0.00
16	Dixie Canyon Community Charter School	19 64733 6016778	0.00	0.00	0.00	0.00
17	El Oro Way Charter For Enriched Studies	19 64733 6016869	0.00	0.00	0.00	0.00
18	Emelita Academy Charter	19 64733 6016901	0.00	0.00	0.00	0.00
19	Emerson Community Charter	19 64733 6057988	0.00	0.00	0.00	0.00
20	Enadia Technology Enriched Charter	19 64733 0117036	0.00	0.00	0.00	0.00
21	Encino Charter Elementary School	19 64733 6016935	0.00	0.00	0.00	0.00
22	Granada Community Charter	19 64733 6017339	0.00	0.00	0.00	0.00
23	Hale (George Ellery) Charter Academy	19 64733 6061477	0.00	0.00	0.00	0.00
24	Hamlin Charter Academy	19 64733 6017438	0.00	0.00	0.00	0.00
25	Haynes Charter For Enriched Studies	19 64733 6017529	0.00	0.00	0.00	0.00
26	Hesby Oaks Leadership Charter	19 64733 0112060	0.00	0.00	0.00	0.00
27	Justice Street Academy Charter School	19 64733 6017693	0.00	0.00	0.00	0.00
28	Kenter Canyon Elementary Charter	19 64733 6017701	0.00	0.00	0.00	0.00
29	Knollwood Preparatory Academy	19 64733 6017743	0.00	0.00	0.00	0.00
30	Lockhurst Drive Charter Elementary	19 64733 6017891	0.00	0.00	0.00	0.00
31	Marquez Charter School	19 64733 6018063	0.00	0.00	0.00	0.00
32	Millikan (Robert A.) Affiliated Charter and Performing Arts Magnet Middle School	19 64733 6058150	0.00	0.00	0.00	0.00
33	Nestle Avenue Charter School	19 64733 6018287	0.00	0.00	0.00	0.00
34	Nobel (Alred B.) Middle School	19 64733 6061543	0.00	0.00	0.00	0.00
35	Open Charter Magnet School	19 64733 6097927	0.00	0.00	0.00	0.00
36	Palisades Charter Elementary	19 64733 6018634	0.00	0.00	0.00	0.00
37	Plainview Academic Charter Academy	19 64733 6018725	0.00	0.00	0.00	0.00
38	Pomelo Community Charter School	19 64733 6018774	0.00	0.00	0.00	0.00
39	Revere (Paul) Charter Middle School	19 64733 6058267	0.00	0.00	0.00	0.00
40	Riverside Drive Charter School	19 64733 6018923	0.00	0.00	0.00	0.00
41	Serrania Avenue Charter School for Enriched Studies	19 64733 6019111	0.00	0.00	0.00	0.00
42	Sherman Oaks Elementary Charter School	19 64733 6019186	0.00	0.00	0.00	0.00
43	Superior Street Elementary	19 64733 6019392	0.00	0.00	0.00	0.00
44	Sylmar Charter High School	19 64733 1938554	1,571.01	1,562.46	1,571.01	1,562.46
45	Taft Charter High School	19 64733 1938612	2,239.56	2,224.85	2,239.56	2,224.85
46	Topanga Elementary Charter School	19 64733 6019525	0.00	0.00	0.00	0.00
47	Topeka Charter School For Advanced Studies	19 64733 6019533	0.00	0.00	0.00	0.00
48	Van Gogh Charter School	19 64733 6019673	0.00	0.00	0.00	0.00
49	Welby Way Charter Elementary and Gifted-High Ability Magnet	19 64733 6019855	0.00	0.00	0.00	0.00
50	Westwood Charter Elementary School	19 64733 6019939	0.00	0.00	0.00	0.00
51	Wilbur Charter For Enriched Academics	19 64733 6019954	0.00	0.00	0.00	0.00
52	Woodlake Elementary Community Charter	19 64733 6020036	0.00	0.00	0.00	0.00
53	Woodland Hills Elementary Charter For Enriched Studies	19 64733 6020044	0.00	0.00	0.00	0.00
Total Affiliated Charter Schools Average Daily Attendance			8,566.95	8,516.49	8,566.95	8,516.49

See accompanying independent auditor's report and notes to supplementary information.

Totals

Total ADA		Classroom-based ADA	
Second Period Report	Annual Report	Second Period Report	Annual Report
613.37	609.46	613.37	609.46
588.81	588.80	588.81	588.80
411.09	409.88	411.09	409.88
540.26	540.00	540.26	540.00
384.84	383.33	384.84	383.33
375.12	376.81	375.12	376.81
975.61	975.58	975.61	975.58
715.15	714.90	715.15	714.90
488.39	486.96	488.39	486.96
1,751.89	1,736.90	1,751.89	1,736.90
3,004.49	2,992.28	3,004.49	2,992.28
626.25	626.34	626.25	626.34
434.66	433.86	434.66	433.86
451.67	450.81	451.67	450.81
539.89	540.19	539.89	540.19
711.38	711.81	711.38	711.81
451.17	451.46	451.17	451.46
397.10	397.86	397.10	397.86
585.54	583.68	585.54	583.68
243.92	244.36	243.92	244.36
553.19	555.28	553.19	555.28
411.25	411.79	411.25	411.79
2,111.15	2,104.43	2,111.15	2,104.43
314.09	313.48	314.09	313.48
402.72	401.17	402.72	401.17
537.75	536.99	537.75	536.99
370.70	369.95	370.70	369.95
536.12	536.05	536.12	536.05
407.16	405.99	407.16	405.99
460.84	459.85	460.84	459.85
510.71	509.95	510.71	509.95
1,739.21	1,733.11	1,739.21	1,733.11
498.06	497.93	498.06	497.93
2,344.66	2,343.58	2,344.66	2,343.58
389.04	388.70	389.04	388.70
478.39	478.46	478.39	478.46
279.40	281.09	279.40	281.09
615.71	613.62	615.71	613.62
2,026.43	2,021.53	2,026.43	2,021.53
574.08	570.98	574.08	570.98
639.95	639.92	639.95	639.92
802.32	803.07	802.32	803.07
489.30	489.02	489.30	489.02
1,571.01	1,562.46	1,571.01	1,562.46
2,239.56	2,224.85	2,239.56	2,224.85
279.67	280.03	279.67	280.03
587.24	586.19	587.24	586.19
452.39	451.63	452.39	451.63
793.95	793.46	793.95	793.46
795.57	795.23	795.57	795.23
611.68	612.52	611.68	612.52
513.26	514.31	513.26	514.31
667.28	665.53	667.28	665.53
<u>40,294.44</u>	<u>40,207.42</u>	<u>40,294.44</u>	<u>40,207.42</u>

LOS ANGELES UNIFIED SCHOOL DISTRICT
 Schedule of Instructional Time Offered
 Year Ended June 30, 2018

Grade Level	1986-1987 Minutes Requirements	2017-18 Actual Minutes Offered ⁽³⁾	Number of Days Traditional Calendar ⁽³⁾	Complied with Instructional Minutes and Days Provisions
Kindergarten	36,000	36,000	180	Yes
Grades 1 to 3	50,400	55,100	180	Yes
Grades 4 to 6 ⁽¹⁾	54,000	55,100	180	Yes
Grades 7 to 8 ⁽²⁾	54,000	62,160 or 65,300	180	Yes
Grades 9 to 12	64,800	65,300	180	Yes

(1) Elementary schools only.

(2) Middle schools with grade configurations 6-8 approved for common planning time have at least 62,160 annual instructional minutes. Middle schools with grade configurations 6-8 not approved for common planning time have at least 65,300 annual instructional minutes.

(3) In December 2017, a number of schools had two to three emergency closure days due to the wildfires. LAUSD submitted a "Request for Allowance of Attendance Due to Emergency Conditions (Form J-13A), which was subsequently approved by the California Department of Education.

Notes:

1. All charter schools included in this audit report conform to the above Schedule of Instructional Time Offered.
2. LAUSD received incentive funding for increasing instructional time pursuant to the Longer Year/Longer Instructional day.

See accompanying independent auditor's report and notes to supplementary information.

LOS ANGELES UNIFIED SCHOOL DISTRICT
Schedule of Financial Trends and Analysis
Year Ended June 30, 2018
(Dollars in thousands)

	<u>2018-2019 Budgeted</u>	<u>2017-2018 Actual</u>	<u>2016-2017 Actual</u>	<u>2015-2016 Actual</u>	<u>2014-2015 Actual</u>
General Fund:					
Revenues	\$ 7,489,838	\$ 7,268,645	\$ 7,176,151	\$ 7,161,449	\$ 6,420,069
Other Financing Sources	<u>20,300</u>	<u>39,431</u>	<u>116,118</u>	<u>52,078</u>	<u>32,771</u>
Total Revenues and Other Financing Sources	<u>7,510,138</u>	<u>7,308,076</u>	<u>7,292,269</u>	<u>7,213,527</u>	<u>6,452,840</u>
Expenditures	7,425,372	7,007,852	6,758,572	6,633,257	6,205,730
Other Financing Uses	<u>60,045</u>	<u>54,594</u>	<u>78,735</u>	<u>89,895</u>	<u>127,554</u>
Total Expenditures and Other Financing Uses	7,485,417	7,062,446	6,837,307	6,723,152	6,333,284
Change in Fund Balance	24,721	245,630	454,962	490,375	119,556
Beginning Fund Balance	<u>1,882,947</u>	<u>1,765,143</u>	<u>1,310,181</u>	<u>819,806</u>	<u>700,250</u>
Ending Fund Balance	<u>\$ 1,907,668</u>	<u>\$ 2,010,773</u>	<u>\$ 1,765,143</u>	<u>\$ 1,310,181</u>	<u>\$ 819,806</u>
Available Reserves*	<u>\$ 782,601</u>	<u>\$ 790,056</u>	<u>\$ 794,680</u>	<u>\$ 319,373</u>	<u>\$ 254,210</u>
Unassigned Reserve for Economic Uncertainties	<u>\$ 75,004</u>	<u>\$ 75,381</u>	<u>\$ 73,411</u>	<u>\$ 72,376</u>	<u>\$ 65,376</u>
Unassigned Fund Balance	<u>\$ 707,597</u>	<u>\$ 714,675</u>	<u>\$ 721,269</u>	<u>\$ 246,997</u>	<u>\$ 188,834</u>
Available Reserves as a Percentage of Total Expenditures and Other Financing Uses	10.46%	11.19%	11.62%	4.75%	4.01%
Total Long-Term Debt	\$ 34,247,996	\$ 34,273,411	\$ 25,330,454	\$ 24,164,629	\$ 22,321,951
Average Daily Attendance (ADA) at P-2 excluding regional occupational centers programs and adult programs	462,774	478,350	490,598	503,591	517,856

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 years.

* Available reserves consist of all unassigned fund balances and unassigned reserve for economic uncertainties.

See accompanying independent auditor's report and notes to supplementary information.

LOS ANGELES UNIFIED SCHOOL DISTRICT
Schedule to Reconcile the Annual Financial Budget Report (SACS)
with Audited Financial Statements
Year Ended June 30, 2018
(in thousands)

	General Fund	District Bonds
June 30, 2018 Unaudited Actual Financial Reports		
Fund Balances/Net Position	\$ 1,999,017	\$ 1,500,228
Adjustments:		
To adjust additional Local Control Funding Formula revenue	10,956	—
To adjust expenditure accruals	800	(22,548)
June 30, 2018 Audited Financial Statement		
Fund Balances/Net Position	\$ 2,010,773	\$ 1,477,680

There were no adjustments to fund balances for funds not presented above.

See accompanying independent auditor's report and notes to supplementary information.

LOS ANGELES UNIFIED SCHOOL DISTRICT
Schedule of Charter Schools
Year Ended June 30, 2018
(unaudited)

		CDS Code	Affiliated	Fiscally Independent	Included in the District Audit
1	Alexander (Dr. Theodore, Jr.) Science Center	19 64733 0102491	x		Yes
2	Beckford Charter for Enriched Studies	19 64733 6015986	x		Yes
3	Calabash Charter Academy	19 64733 6016240	x		Yes
4	Calahan Community Charter	19 64733 6016257	x		Yes
5	Calvert Charter for Enriched Studies	19 64733 6016265	x		Yes
6	Canyon Charter Elementary School	19 64733 6016323	x		Yes
7	Carpenter Community Charter School	19 64733 6016356	x		Yes
8	Castlebay Lane Elementary School	19 64733 6071435	x		Yes
9	Chandler Learning Academy	19 64733 6016422	x		Yes
10	Chatsworth Charter High School	19 64733 1931708	x		Yes
11	Cleveland (Grover) Charter High School	19 64733 1931864	x		Yes
12	Colfax Charter Elementary School	19 64733 6016562	x		Yes
13	Community Magnet Charter Elementary School	19 64733 6094726	x		Yes
14	Darby Avenue Charter	19 64733 6016703	x		Yes
15	Dearborn Elementary Charter Academy	19 64733 6016729	x		Yes
16	Dixie Canyon Community Charter School	19 64733 6016778	x		Yes
17	El Oro Way Charter For Enriched Studies	19 64733 6016869	x		Yes
18	Emelita Academy Charter	19 64733 6016901	x		Yes
19	Emerson Community Charter	19 64733 6057988	x		Yes
20	Enadia Technology Enriched Charter	19 64733 0117036	x		Yes
21	Encino Charter Elementary School	19 64733 6016935	x		Yes
22	Granada Community Charter	19 64733 6017339	x		Yes
23	Hale (George Ellery) Charter Academy	19 64733 6061477	x		Yes
24	Hamlin Charter Academy	19 64733 6017438	x		Yes
25	Haynes Charter For Enriched Studies	19 64733 6017529	x		Yes
26	Hesby Oaks Leadership Charter	19 64733 0112060	x		Yes
27	Justice Street Academy Charter School	19 64733 6017693	x		Yes
28	Kenter Canyon Elementary Charter	19 64733 6017701	x		Yes
29	Knollwood Preparatory Academy	19 64733 6017743	x		Yes
30	Lockhurst Drive Charter Elementary	19 64733 6017891	x		Yes
31	Marquez Charter School	19 64733 6018063	x		Yes
32	Millikan (Robert A.) Affiliated Charter and Performing Arts Magnet Middle School	19 64733 6058150	x		Yes
33	Nestle Avenue Charter School	19 64733 6018287	x		Yes
34	Nobel (Alred B.) Middle School	19 64733 6061543	x		Yes
35	Open Charter Magnet School	19 64733 6097927	x		Yes
36	Palisades Charter Elementary	19 64733 6018634	x		Yes
37	Plainview Academic Charter Academy	19 64733 6018725	x		Yes
38	Pomelo Community Charter School	19 64733 6018774	x		Yes
39	Revere (Paul) Charter Middle School	19 64733 6058267	x		Yes
40	Riverside Drive Charter School	19 64733 6018923	x		Yes
41	Serrania Avenue Charter School for Enriched Studies	19 64733 6019111	x		Yes
42	Sherman Oaks Elementary Charter School	19 64733 6019186	x		Yes
43	Superior Street Elementary	19 64733 6019392	x		Yes
44	Sylmar Charter High School	19 64733 1938554	x		Yes
45	Taft Charter High School	19 64733 1938612	x		Yes
46	Topanga Elementary Charter School	19 64733 6019525	x		Yes
47	Topeka Charter School For Advanced Studies	19 64733 6019533	x		Yes
48	Van Gogh Charter School	19 64733 6019673	x		Yes
49	Welby Way Charter Elementary and Gifted-High Ability Magnet	19 64733 6019855	x		Yes
50	Westwood Charter Elementary School	19 64733 6019939	x		Yes
51	Wilbur Charter For Enriched Academics	19 64733 6019954	x		Yes
52	Woodlake Elementary Community Charter	19 64733 6020036	x		Yes
53	Woodland Hills Elementary Charter For Enriched Studies	19 64733 6020044	x		Yes

See accompanying independent auditor's report and notes to supplementary information.

(Continued)

LOS ANGELES UNIFIED SCHOOL DISTRICT
Schedule of Charter Schools (Continued)
Year Ended June 30, 2018
(unaudited)

		CDS Code	Affiliated	Fiscally Independent	Included in the District Audit
54	Academia Moderna	19 64733 0120097		x	No
55	Academic Performance Excellence Academy (APEX)	19 64733 0117077		x	No
56	Accelerated, The	19 64733 6112536		x	No
57	Accelerated Charter Elementary School (ACES)	19 64733 0100743		x	No
58	Alain Leroy Locke College Preparatory Academy	19 64733 0118588		x	No
59	Alliance Alice M. Baxter College-Ready High	19 64733 0127217		x	No
60	Alliance Cindy and Bill Simon Technology Academy High School	19 64733 0121285		x	No
61	Alliance College-Ready Middle Academy 4	19 64733 0120030		x	No
62	Alliance College-Ready Middle Academy 5	19 64733 0120048		x	No
63	Alliance College-Ready Middle Academy 8	19 64733 0128033		x	No
64	Alliance College-Ready Middle Academy 12	19 64733 0128058		x	No
65	Alliance Collins Family College-Ready High School	19 64733 0108936		x	No
66	Alliance Dr. Olga Mohan High School	19 64733 0111500		x	No
67	Alliance Gertz-Ressler Richard Merkin 6-12 Complex	19 64733 0106864		x	No
68	Alliance Jack H. Skirball Middle School	19 64733 0111518		x	No
69	Alliance Judy Ivie Burton Technology Academy High	19 64733 0108894		x	No
70	Alliance Kory Hunter Middle School	19 64733 0128041		x	No
71	Alliance Leadership Middle Academy	19 64733 0128009		x	No
72	Alliance Leichtman-Levine Family Foundation Environmental Science High	19 64733 0117606		x	No
73	Alliance Marc & Eva Stern Math and Science, (California State University Los Angeles Campus)	19 64733 0111658		x	No
74	Alliance Margaret M. Bloomfield Technology Academy	19 64733 0124941		x	No
75	Alliance Marine - Innovation and Technology 6-12 Complex	19 64733 0132084		x	No
76	Alliance Morgan McKinzie High	19 64733 0116509		x	No
77	Alliance Ouchi-O'Donovan 6-12 Complex	19 64733 0111641		x	No
78	Alliance Patti and Peter Neuwirth Leadership Academy	19 64733 0111492		x	No
79	Alliance Piera Barbaglia Shaheen Health Services Academy	19 64733 0117598		x	No
80	Alliance Renee and Meyer Luskin Academy High School	19 64733 0124891		x	No
81	Alliance Susan and Eric Smidt Technology High School	19 64733 0123133		x	No
82	Alliance Ted K Tajima High	19 64733 0123141		x	No
83	Alliance Tennenbaum Family Technology High School *	19 64733 0121293		x	No
84	Animo College Preparatory Academy (Jordan Campus)	19 64733 0124883		x	No
85	Animo Ellen Ochoa Charter Middle School	19 64733 0123992		x	No
86	Animo Florence-Firestone Charter Middle	19 64733 0134023		x	No
87	Animo Jackie Robinson High School	19 64733 0111583		x	No
88	Animo James B. Taylor Charter Middle School	19 64733 0124008		x	No
89	Animo Jefferson Charter Middle School	19 64733 0122481		x	No
90	Animo Mae Jemison Charter Middle School	19 64733 0129270		x	No
91	Animo Pat Brown High School	19 64733 0106849		x	No
92	Animo Phillis Wheatley Charter Middle School (Clay Campus)*	19 64733 0124024		x	No
93	Animo Ralph Bunche Charter High School	19 64733 0111575		x	No
94	Animo South Los Angeles Charter Senior High	19 64733 0102434		x	No
95	Animo Venice Charter High School	19 64733 0106831		x	No
96	Animo Watts College Preparatory Academy	19 64733 0111625		x	No
97	Animo Western Charter Middle School (Clay Campus) *	19 64733 0124016		x	No
98	Animo Westside Charter Middle School	19 64733 0122499		x	No
99	Ararat Charter School	19 64733 0121079		x	No
100	Arts in Action Community Charter School	19 64733 0123158		x	No
101	Arts in Action Community Middle School	19 64733 0134205		x	No
102	Aspire Centennial College Preparatory Academy	19 64733 0126797		x	No
103	Aspire Firestone Academy *	19 64733 0122622		x	No
104	Aspire Gateway Academy Charter*	19 64733 0122614		x	No
105	Aspire Inskeep Academy Charter*	19 64733 0124800		x	No
106	Aspire Juanita Tate Academy Charter*	19 64733 0124792		x	No
107	Aspire Junior Collegiate Academy	19 64733 0114884		x	No
108	Aspire Pacific Academy	19 64733 0122721		x	No
109	Aspire Slauson Academy Charter*	19 64733 0124784		x	No
110	Aspire Titan Academy	19 64733 0120477		x	No

* PSC = Public School Choice

See accompanying independent auditor's report and notes to supplementary information.

(Continued)

LOS ANGELES UNIFIED SCHOOL DISTRICT
Schedule of Charter Schools (Continued)
Year Ended June 30, 2018
(unaudited)

	CDS Code	Affiliated	Fiscally Independent	Included in the District Audit
111	Bert Corona Charter High	19 64733 0132126	x	No
112	Bert Corona Charter School	19 64733 0106872	x	No
113	Birmingham Community Charter High School	19 64733 1931047	x	No
114	Bright Star Secondary Charter Academy	19 64733 0112508	x	No
115	California Collegiate Charter	19 64733 0133884	x	No
116	Camino Nuevo Charter Academy (Burlington)	19 64733 6117667	x	No
117	Camino Nuevo Charter Academy 2 (Kayne Siart)	19 64733 0122861	x	No
118	Camino Nuevo Charter Academy 4 (Cisneros) *	19 64733 0124826	x	No
119	Camino Nuevo Charter High School (Miramar)	19 64733 0106435	x	No
120	Camino Nuevo Elementary School 3 (Eisner) *	19 64733 0122564	x	No
121	Camino Nuevo High School 2 (Dalzell Lance)	19 64733 0127910	x	No
122	CATCH Preparatory Charter High, Inc.	19 64733 0101659	x	No
123	Celerity Cardinal Charter School	19 64733 0123984	x	No
124	Celerity Nascent Charter School	19 64733 0108910	x	No
125	Celerity Octavia Charter School	19 64733 0122655	x	No
126	Celerity Palmati Charter School	19 64733 0123166	x	No
127	Center for Advanced Learning	19 64733 0115139	x	No
128	Central City Value High School	19 64733 0100800	x	No
129	Charter High School of Arts–Multimedia & Performing School (CHAMPS)	19 64733 0108878	x	No
130	CHIME Institute's Schwarzenegger Community School	19 64733 6119531	x	No
131	Citizens of the World Charter School Hollywood	19 64733 0122556	x	No
132	Citizens of the World Charter School Mar Vista	19 64733 0126193	x	No
133	Citizens of the World Charter School Silver Lake	19 64733 0126177	x	No
134	City Language Immersion Charter	19 64733 0127886	x	No
135	Clemente Charter School	19 64733 0129825	x	No
136	Collegiate Charter High School of Los Angeles	19 64733 0131821	x	No
137	Community Preparatory Academy	19 64733 0129874	x	No
138	Crete Academy	19 64733 0135616	x	No
139	Crown Preparatory Academy	19 64733 0121848	x	No
140	Discovery Charter Preparatory School 2	19 64733 0115253	x	No
141	Downtown Value School	19 64733 6119903	x	No
142	Ednovate – Brio College Prep	19 64733 0135723	x	No
143	Ednovate – East College Prep	19 64733 0132282	x	No
144	Ednovate – Esperanza College Prep	19 64733 0135715	x	No
145	Ednovate – USC Hybrid High College Prep	19 64733 0125864	x	No
146	El Camino Real Charter High School	19 64733 1932623	x	No
147	Endeavor College Preparatory Charter School	19 64733 0120014	x	No
148	Equitas Academy Charter	19 64733 0119982	x	No
149	Equitas Academy 2 Charter	19 64733 0126169	x	No
150	Equitas Academy 3 Charter	19 64733 0129650	x	No
151	Equitas Academy 4	19 64733 0133686	x	No
152	Everest Value School	19 64733 0129858	x	No
153	Executive Preparatory Academy of Finance	19 64733 0127852	x	No
154	Extera Public School	19 64733 0124198	x	No
155	Extera Public School No. 2	19 64733 0128132	x	No
156	Fenton Avenue Charter School	19 64733 6017016	x	No
157	Fenton Charter Leadership Academy	19 64733 0131722	x	No
158	Fenton Primary Center	19 64733 0115048	x	No
159	Fenton STEM Academy: Elementary Center for Science Technology Engineering and Mathematics	19 64733 0131466	x	No
160	Gabriella Charter	19 64733 0108886	x	No
161	Gabriella Charter 2	19 64733 0135509	x	No
162	Gifted Academy of Mathematics and Entrepreneurial Studies	19 64733 0112334	x	No
163	Girls Athletic Leadership School Los Angeles	19 64733 0133710	x	No
164	Global Education Academy	19 64733 0114967	x	No
165	Global Education Academy 2	19 64733 0129833	x	No

* PSC = Public School Choice

See accompanying independent auditor's report and notes to supplementary information.

(Continued)

LOS ANGELES UNIFIED SCHOOL DISTRICT
Schedule of Charter Schools (Continued)
Year Ended June 30, 2018
(unaudited)

		CDS Code	Affiliated	Fiscally Independent	Included in the District Audit
166	Global Education Academy Middle School	19 64733 0128116		x	No
167	Goethe International Charter School	19 64733 0117978		x	No
168	Granada Hills Charter High School	19 64733 1933746		x	No
169	High Tech Los Angeles	19 64733 0100677		x	No
170	ICEF Innovation Los Angeles Charter	19 64733 0117952		x	No
171	ICEF Lou Dantzler Preparatory Academy	19 64733 0117945		x	No
172	ICEF View Park Preparatory Elementary School	19 64733 6117048		x	No
173	ICEF View Park Preparatory High School	19 64733 0101196		x	No
174	ICEF View Park Preparatory Middle School	19 64733 6121081		x	No
175	ICEF Vista Elementary Academy	19 64733 0117937		x	No
176	ICEF Vista Middle Academy	19 64733 0115287		x	No
177	Ingenium Charter	19 64733 0121137		x	No
178	Ingenium Charter Middle School	19 64733 0127985		x	No
179	Ivy Academia Charter School	19 64733 0106351		x	No
180	Ivy Bound Academy Math, Science, and Technology Charter Middle 2	19 64733 0128389		x	No
181	Ivy Bound Academy of Math, Science, and Technology Charter Middle	19 64733 0115113		x	No
182	James Jordan Middle School	19 64733 0109884		x	No
183	KIPP Academy of Innovation	19 64733 0128512		x	No
184	KIPP Academy of Opportunity	19 64733 0101444		x	No
185	KIPP Comienza Community Preparatory	19 64733 0121707		x	No
186	KIPP Corazon Academy	19 64733 0135517		x	No
187	KIPP Empower Academy	19 64733 0121699		x	No
188	KIPP Ignite Academy	19 64733 0131771		x	No
189	KIPP Iluminar Academy	19 64733 0127670		x	No
190	KIPP Los Angeles College Preparatory	19 64733 0100867		x	No
191	KIPP Philosophers Academy	19 64733 0125609		x	No
192	KIPP Promesa Preparatory	19 64733 0131797		x	No
193	KIPP Raices Academy	19 64733 0117903		x	No
194	KIPP Scholar Academy	19 64733 0125625		x	No
195	KIPP Sol Academy	19 64733 0125641		x	No
196	KIPP Vida Preparatory Academy	19 64733 0129460		x	No
197	Larchmont Charter School	19 64733 0108928		x	No
198	Lashon Academy	19 64733 0128025		x	No
199	Libertas College Preparatory Charter	19 64733 0131904		x	No
200	Los Angeles Academy of Arts & Enterprise Charter (LAAAE)	19 64733 0110304		x	No
201	Los Angeles Leadership Academy	19 64733 1996610		x	No
202	Los Angeles Leadership Primary Academy	19 64733 0124818		x	No
203	Los Feliz Charter School for the Arts	19 64733 0112235		x	No
204	Magnolia Science Academy 4	19 64733 0117622		x	No
205	Magnolia Science Academy 5	19 64733 0117630		x	No
206	Magnolia Science Academy 6	19 64733 0117648		x	No
207	Magnolia Science Academy 7	19 64733 0117655		x	No
208	Magnolia Science Academy Bell *	19 64733 0122747		x	No
209	Math and Science College Preparatory	19 64733 0126136		x	No
210	Metro Charter School	19 64733 0127977		x	No
211	Monsenor Oscar Romero Charter Middle	19 64733 0114959		x	No
212	Montague Charter Academy for the Arts and Sciences	19 64733 6018204		x	No
213	Multicultural Learning Center	19 64733 6119044		x	No
214	N.E.W. Academy Canoga Park	19 64733 0102483		x	No
215	N.E.W. Academy of Science and Arts	19 64733 0100289		x	No
216	New Designs Charter School	19 64733 0102541		x	No
217	New Designs Charter School – Watts	19 64733 0120071		x	No
218	New Heights Charter School	19 64733 0111211		x	No
219	New Horizons Charter Academy	19 64733 0128371		x	No
220	New Los Angeles Charter School	19 64733 0117614		x	No

* PSC = Public School Choice

See accompanying independent auditor's report and notes to supplementary information.

(Continued)

LOS ANGELES UNIFIED SCHOOL DISTRICT
Schedule of Charter Schools (Continued)
Year Ended June 30, 2018
(unaudited)

	CDS Code	Affiliated	Fiscally Independent	Included in the District Audit
221	New Los Angeles Elementary School	19 64733 0133702	x	No
222	New Millennium Secondary School	19 64733 0117911	x	No
223	New Village Girls Academy	19 64733 0111484	x	No
224	North Valley Military Institute College Preparatory Academy	19 64733 0100776	x	No
225	Ocean Charter School	19 64733 0102335	x	No
226	Oscar De La Hoya Animo Charter High School	19 64733 0101675	x	No
227	Our Community Charter School	19 64733 0109934	x	No
228	Pacoima Charter Elementary	19 64733 6018642	x	No
229	Palisades Charter High School	19 64733 1995836	x	No
230	Para Los Ninos Charter Middle School	19 64733 0117846	x	No
231	Para Los Ninos Charter School	19 64733 6120489	x	No
232	Para Los Ninos – Evelyn Thurman Gratts Primary Center *	19 64733 0122630	x	No
233	Pathways Community Charter	19 64733 0127878	x	No
234	Port of Los Angeles High School	19 64733 0107755	x	No
235	Prepa Tec – Los Angeles	19 64733 0127936	x	No
236	Public Policy Charter	19 64733 0131847	x	No
237	PUC CALS Charter Middle and Early College High School	19 64733 0133298	x	No
238	PUC Community Charter Elementary	19 64733 0129619	x	No
239	PUC Community Charter Middle and PUC Community Charter Early College High	19 64733 6116750	x	No
240	PUC Early College Academy for Leaders and Scholars (ECALS)*	19 64733 0124933	x	No
241	PUC Excel Charter Academy	19 64733 0112201	x	No
242	PUC Inspire Charter Academy	19 64733 0129593	x	No
243	PUC International Preparatory Academy	19 64733 0135129	x	No
244	PUC Lakeview Charter Academy	19 64733 0102442	x	No
245	PUC Lakeview Charter High	19 64733 0122606	x	No
246	PUC Milagro Charter	19 64733 0102426	x	No
247	PUC Nueva Esperanza Charter Academy	19 64733 0133280	x	No
248	PUC Santa Rosa Charter Academy	19 64733 0119974	x	No
249	PUC Triumph Charter Academy and PUC Triumph Charter High School	19 64733 0133272	x	No
250	Puente Charter School (ELA Site)	19 64733 6120471	x	No
251	Renaissance Arts Academy	19 64733 0101683	x	No
252	Resolute Academy Charter	19 64733 0131870	x	No
253	Rise Kohyang High School	19 64733 0133868	x	No
254	Rise Kohyang Middle	19 64733 0124222	x	No
255	Santa Monica Boulevard Community Charter School	19 64733 6019079	x	No
256	Stella Middle Charter Academy	19 64733 0100669	x	No
257	Summit Preparatory Charter	19 64733 0131839	x	No
258	Synergy Charter Academy	19 64733 0106427	x	No
259	Synergy Kinetic Academy *	19 64733 0117895	x	No
260	Synergy Quantum Academy *	19 64733 0124560	x	No
261	TEACH Academy of Technologies	19 64733 0122242	x	No
262	TEACH Tech Charter High School	19 64733 0129627	x	No
263	The City School	19 64733 0134148	x	No
264	University Preparatory Value High	19 64733 0132027	x	No
265	Valley Charter Elementary School	19 64733 0122754	x	No
266	Valley Charter Middle School	19 64733 0122838	x	No
267	Valor Academy Elementary School	19 64733 0133694	x	No
268	Valor Academy High School	19 64733 0127894	x	No
269	Valor Academy Middle School	19 64733 0120022	x	No
270	Vaughn Next Century Learning Center	19 64733 6019715	x	No
271	Village Charter Academy	19 64733 0129866	x	No
272	Vista Charter Middle School	19 64733 0122739	x	No
273	Wallis Annenberg High School	19 64733 0100750	x	No
274	Watts Learning Center	19 64733 6114912	x	No
275	Watts Learning Center Charter Middle School	19 64733 0120527	x	No
276	WISH Academy High	19 64733 0135632	x	No
277	WISH Community	19 64733 0135921	x	No

* PSC = Public School Choice

See accompanying independent auditor's report and notes to supplementary information.

LOS ANGELES UNIFIED SCHOOL DISTRICT

Notes to Supplementary Information

Year Ended June 30, 2018

(1) Statistical Data

The statistical data presented on pages 113-115 offers multi-year trend information, and are provided to help the reader understand the District's significant local revenue sources as it relates to the District's overall financial health.

The average daily attendance historical data presented on pages 116-118 provides additional trending information for the basis by which most state and local revenues are received by the District.

(2) 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.

(e) *Schedule of Charter Schools*

This schedule lists all charter schools chartered by the District, and indicates whether or not the charter school is included in the District's audit.

LOS ANGELES UNIFIED SCHOOL DISTRICT
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2018

Federal Grantor/Pass-Through Grantor/Program Title	Catalog of Federal Domestic Assistance Number	Grantor or Pass-Through Entity ID Number	Passed Through to Subrecipients	Program Cluster Expenditures	Total Federal Expenditures
U.S. Department of Agriculture:					
Passed through California Department of Education:					
Child Nutrition School Programs Breakfast	10.553	PCA13525/PCA13526		\$ 108,420,915	
Child Nutrition School Programs Lunch	10.555	PCA13523/PCA13524		143,338,474	
Child Nutrition School Programs Snack	10.555	PCA13755		12,236	
Donated Food Commodities	10.555	Not Available		22,615,635	
Child Nutrition Summer Food Services Program Operations	10.559	PCA13004		4,092,984	
Child Nutrition Summer Food Services Program Sponsor Administration	10.559	PCA13006		433,363	
Subtotal Expenditures – Child Nutrition Cluster					\$ 278,913,607
Child Nutrition Child Care Food Program Claims	10.558	PCA13529			59,617,499
Child Nutrition Child Care Food Program – Cash in Lieu of Commodities	10.558	PCA13534			4,077,262
Subtotal CFDA 10.558					63,694,761
Child Nutrition Team Nutrition Grants	10.574	PCA15332			54,707
Child Nutrition NSLP Equipment Assistance Grants	10.579	PCA14906			84,891
Passed through California Department of Health Services:					
Forest Reserve	10.665	PCA10044		27,724	
Subtotal Expenditures – Forest Service Schools and Roads Cluster					27,724
Subtotal Pass-Through Programs					342,775,690
Total U.S. Department of Agriculture					342,775,690
U.S. Department of Defense:					
Reserve Officer Training Corps Vitalization Act	12.unknown	Not Available			1,932,326
Startalk: Exploring Arabic Through Technology, Visual Arts and Photography	12.900	H98230-17-1-0125			74,972
Subtotal Direct Programs					2,007,298
Total U.S. Department of Defense					2,007,298
U.S. Department of Housing & Urban Development:					
Passed through City of Carson					
Carson Guidance – Community Development Block Grants (CDBG)	14.218	MOU		10,126	
Subtotal Expenditures – CDBG Entitlement Grants Cluster					10,126
Subtotal Pass-Through Program					10,126
Total U.S. Department of Housing and Urban Development					10,126
U.S. Department of Labor:					
Youth Career Connect Program	17.274	YC-25413-14-60-A-6			1,855,808
Subtotal Direct Program					1,855,808
Passed through Catholic Charities of Los Angeles:					
Youth Build	17.274	C4400005521			219,318
Passed through Employment Development Department:					
Employment Development Department Trade Act: Trade Adjustment Assistance (TAA)	17.245	Various			121,871
Passed through City of Los Angeles:					
Workforce Innovation and Opportunity Act (WIOA) – Worksource Educational Partnership – Adult	17.258	C-131186		91,570	
WIOA Worksource Educational Partnership – Dislocated Workers	17.278	C-131186		71,948	
WIOA – T-1 Youth Source System	17.259	C-131264		1,082,958	
Economics and Workforce Development Department – American Apparel	17.278	C-131185		125,038	
Passed through Watts Labor Community Action Committee:					
WIOA – WorkSource Center – Adult/Family Source	17.258	129769/131719		43,111	
WIOA – Youth Opportunity Program	17.259	129809		5,289	
Passed through City of Hawthorne:					
WIOA – I-TRAIN – Harbor	17.258	16-0174-0-1-504		420	
Passed through Para Los Ninos:					
WIOA – Youth	17.259	129889-L17		110,494	
Subtotal Expenditures – WIOA Cluster					1,530,828
Subtotal Pass-Through Programs					1,872,017
Total U.S. Department of Labor					3,727,825

See accompanying independent auditor's report and notes to schedule of expenditures of federal awards.

(Continued)

LOS ANGELES UNIFIED SCHOOL DISTRICT
Schedule of Expenditures of Federal Awards (Continued)
Year Ended June 30, 2018

Federal Grantor/Pass-Through Grantor/Program Title	Catalog of Federal Domestic Assistance Number	Grantor or Pass-Through Entity ID Number	Passed Through to Subrecipients	Program Cluster Expenditures	Total Federal Expenditures
National Science Foundation:					
USC-Math for America Los Angeles	47.076	Not Available			154,636
Subtotal Direct Program					154,636
Total National Science Foundation					154,636
U.S. Department of Education:					
Indian Education	84.060A	S060A14283			165,159
Skills for Success Program	84.215	U215H150111			365,677
Gaining Early Awareness and Readiness for Undergraduate Programs (GEAR-UP):					
GEAR-UP 4 LA	84.334	P334A110166/P334A140118	1,434,231		4,799,520
GEAR-UP-Project Steps	84.334	P334A110159	24,494		335,492
Subtotal CFDA 84.334			1,458,725		5,135,012
Arts in Education – Professional Development for Arts Educator	84.351	U351C140064	288,958		300,760
Subtotal Direct Programs			1,747,683		5,966,608
Passed through California Department of Education:					
WIOA – Adult Basic Ed/ESL	84.002	14508			8,155,082
WIOA – Ad Ed & Fam Lit/EL-Civics	84.002	14109			2,316,689
WIOA – Adult Secondary Ed	84.002	13978			1,410,925
Subtotal CFDA 84.002					11,882,696
Elementary and Secondary Education Act, Title I	84.010	14329			323,416,620
Elementary and Secondary Education Act, Title I Delinquent	84.010	14357			1,066,515
Elementary and Secondary Education Act, Title I Neglected	84.010	14329			913,922
Subtotal CFDA 84.010					325,397,057
Special Ed: IDEA Local Assistance, Part B, Sec.611 Early Intervening Services	84.027	PCA10119		1,311,908	
Special Ed: IDEA Basic Local Assistance Entitlement	84.027	17-13379-6473-00		112,184,736	
Special Ed: IDEA Local Assistance, Private School ISPs	84.027	PCA10115		1,692,235	
Special Ed: IDEA Mental Health Allocation Plan	84.027	17-15197-6473-00		6,892,692	
Special Ed: IDEA – Pre-School Local Entitlement	84.027	13-13682-6473-01		11,793,211	
IDEA Preschool Expansion Grant	84.173	15-13430-6473-01		4,982,272	
PreSchool Expansion – Staff Development	84.173	15-13431-6473-01		5,378	
Special Ed: IDEA – Embedded Instruction	84.173	14-13839-6473-01		90,306	
Special Ed: IDEA – Alternate Dispute Resolution, Part B-Sec 611	84.173	PCA13007		37,460	
IDEA Preschool Desired Result	84.173	15-14688-6473-01		46,317	
Subtotal Expenditures – Special Education Cluster					139,036,515
Carl D. Perkins – Secondary Program, Sec131	84.048	14894			5,154,786
Carl D. Perkins – Vocational and Technical Education, Sec 132	84.048	14893			966,550
Subtotal CFDA 84.048					6,121,336
Early Intervention Funds – Part C	84.181	13-23761-6473-01			1,178,111
Education for Homeless Children & Youth	84.196A	14332			233,484
Twenty-first Century Learning Centers	84.287	14349	370,886		2,238,368
Twenty-first Century Learning Centers	84.287	14535	14,043,697		16,811,082
Twenty-first Century Learning Centers	84.287	14603	500,415		809,722
Twenty-first Century Learning Centers	84.287	14604	90,127		555,645
Subtotal CFDA 84.287			15,005,125		20,414,817
Advanced Placement	84.330	PCA14831			426,781
Title III, Limited English Proficient	84.365	14346			10,824,541
Title III, Immigrant Student	84.365	15146			2,074,301
Subtotal CFDA 84.365					12,898,842
National Professional Development Grant, Project Royal	84.365Z	15-4-81105-28357			235,525
Every Student Succeeds Act – Title II, Part A – Supporting Effective Instruction State Grants (formerly Improving Teacher Quality State Grants)	84.367	14341			29,232,201
School Improvement Grant	84.377	15248/15364			12,905,483
Passed through Los Angeles County Office of Education:					
Title I – Migrant Ed – Regular	84.011	14326/14768			645,939
Title I – Migrant Ed – Summer	84.011	10005/14768			237,417
Subtotal CFDA 84.011					883,356

See accompanying independent auditor's report and notes to schedule of expenditures of federal awards.

(Continued)

LOS ANGELES UNIFIED SCHOOL DISTRICT
Schedule of Expenditures of Federal Awards (Continued)
Year Ended June 30, 2018

Federal Grantor/Pass-Through Grantor/Program Title	Catalog of Federal Domestic Assistance Number	Grantor or Pass-Through Entity ID Number	Passed Through to Subrecipients	Program Cluster Expenditures	Total Federal Expenditures
Passed through State Department of Rehabilitation: Rehab-Transition Partnership Program/Trans Part-Greater LA	84.126	29881/EP1313027/30447/ 30460/30632/30644			1,359,820
Passed through Napa County Office of Education: Project READ – Peary Middle School	84.325	MOU			15,041
Passed through The Regents of University of California (UC) Pacific Coast Teacher Innovation Network – UC Davis	84.367	09-002383-15			742,697
Passed through Literacy Design Collaborative: Literacy Design Collaborative Federal i3 Grant	84.411	MOU 2015-16SY			187,820
Passed through Strategic Education Research Partnership Education Partnership-Strategic Education Research Partnership	84.411	AGRMT REC'D 04/06/2018			2,327
Passed through ABT Associates Education Partnership-ABT	84.411	AGRMT DTD 01/10/2018			3,006
Subtotal CFDA 84.411					<u>193,153</u>
CA PROMISE-(Promoting Readiness of Minor in Suppl Income)	84.418	29139			1,213,348
Passed through City of Los Angeles: Federal Performance Partners – Los Angeles P3	84.420	C-129242			194,872
Passed through Center for Collaborative Education: Principal Residency Network	84.363	MOU/4400003138			226,518
Subtotal Pass-Through Programs			<u>15,005,125</u>		<u>564,791,653</u>
Total U.S. Department of Education			<u>16,752,808</u>		<u>570,758,261</u>
U.S. Department of Health & Human Services: CDCP-School Based HIV/STD Prevention Youth Risk Behavior Survey Participation	93.079 93.079	5NU87PS004181-05 16-01031-19-01(02)			576,790 1,000
Subtotal CFDA 93.079					<u>577,790</u>
MACRA Connect Kids Coverage Youth Service America Corporation	93.767 94.014	1ZOCMS331515-01-00 YSA-MLK DAY OF SVC			489,720 247
Subtotal Direct Programs					<u>1,067,757</u>
Passed through Dibble Institute: Dibble Inst-BldgBrighter Future	93.086	90FM0010-01-00			539
Passed through County of Los Angeles: Maternal Infant and Early Childhood Home Visiting Program County Youth Jobs-CalWorks & Foster Youth	93.505 93.558	PH-002170 1314-01		19,831	924,693
Passed through City of Los Angeles: County Youth Jobs Program-CalWorks	93.558	C-131331		278,616	
Subtotal Expenditures – Temporary Assistance for Needy Families (TANF) Cluster					<u>298,447</u>
Passed through California Department of Education: General Child Care Center-Block Grant General Child Care Center-Mandatory & Matching Fund	93.575 93.596	PCA15136 PCA13609		1,775,728 3,863,580	
Subtotal Expenditures – Child Care Development Fund Cluster					<u>5,639,308</u>
Passed through Los Angeles County Office of Education: ARRA-State Grants to Promote Health Information Technology Medi-Cal Administrative Activity	93.719 93.778	Not Available C-15048-A1:15:17		6,114,545	220,515
Subtotal expenditures – Medicaid Cluster					<u>6,114,545</u>
Subtotal Pass-Through Programs					<u>13,198,047</u>
Total U.S. Department of Health & Human Services					<u>14,265,804</u>
U.S. Department of Homeland Security: Passed through Governors Office of Emergency Services: Public Assistance – FEMA-1810-DR-CA Hazard Mitigation Grant Program-FEMA 1731-DR-CA-Manhattan	97.036 97.039	OES ID-037-91146 HMGP#1731-76-24			187 104,494
Subtotal Pass-Through Programs					<u>104,681</u>
Total U.S. Department of Homeland Security					<u>104,681</u>
Total Expenditures of Federal Awards			<u>\$ 16,752,808</u>	<u>\$ 431,571,100</u>	<u>\$ 933,804,321</u>

See accompanying independent auditor's report and notes to schedule of expenditures of federal awards.

LOS ANGELES UNIFIED SCHOOL DISTRICT

Notes to Schedule of Expenditures of Federal Awards

Year Ended June 30, 2018

(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. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

(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. Such expenditures are recognized following, as applicable, either the cost principles in Office of Management and Budget Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, or the cost principles contained in Title 2 U.S. Code of Federal Regulation Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. 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) Indirect Cost Rate

The District did not elect to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

(4) Noncash Assistance

Included in the schedule of expenditures of federal awards is (CFDA No. 10.555) \$22,615,635 of donated food commodities received from the U.S. Department of Agriculture, passed-through the State of California, during the year ended June 30, 2018.

**OTHER INDEPENDENT
AUDITOR REPORTS**

[THIS PAGE INTENTIONALLY LEFT BLANK]



U.S. BANK TOWER
633 WEST 5TH STREET, SUITE 3320
LOS ANGELES, CA 90071
(213) 736-6664 TELEPHONE
(213) 736-6692 FAX
www.simpsonandsimpsoncpas.com

SIMPSON & SIMPSON
CERTIFIED PUBLIC ACCOUNTANTS

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

Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards

To The Honorable Board of Education
Los Angeles Unified School District

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the **Los Angeles Unified School District** (the District), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 14, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that has not been identified.





Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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

Los Angeles, California
December 14, 2018



U.S. BANK TOWER
633 WEST 5TH STREET, SUITE 3320
LOS ANGELES, CA 90071
(213) 736-6664 TELEPHONE
(213) 736-6692 FAX
www.simpsonandsimpsoncpas.com

SIMPSON & SIMPSON
CERTIFIED PUBLIC ACCOUNTANTS

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

Report on Compliance for Each Major Federal Program and Report on Internal Control over Compliance

Independent Auditor's Report

The Honorable Board of Education
Los Angeles Unified School District

Report on Compliance for Each Major Federal Program

We have audited **Los Angeles Unified School District's** (the District) compliance with the types of compliance requirements described in the *OMB 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, 2018. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the District's compliance.





Opinion on Each Major Federal Program

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2018.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as items F-2018-001 to F-2018-004. Our opinion on each major federal program is not modified with respect to these matters.

The District's response to the noncompliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, 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 first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses and significant deficiencies.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items F-2018-003 and F-2018-004 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-2018-001 and F-2018-002 to be significant deficiencies.

The District's response to the internal control over compliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in black ink that reads "Simpson & Simpson".

December 14, 2018
Los Angeles, California



U.S. BANK TOWER
633 WEST 5TH STREET, SUITE 3320
LOS ANGELES, CA 90071
(213) 736-6664 TELEPHONE
(213) 736-6692 FAX
www.simpsonandsimpsoncpas.com

SIMPSON & SIMPSON
CERTIFIED PUBLIC ACCOUNTANTS

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

Independent Auditor's Report on State Compliance

To The Honorable Board of Education
Los Angeles Unified School District

Report on Compliance

We have audited the compliance of the **Los Angeles Unified School District** (the District), with the compliance requirements described in the *2017-18 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* (the Guide) for the year ended June 30, 2018. The District's programs are identified in the table below.

Management's Responsibility

Management is responsible for compliance with the requirements of the state laws and regulations applicable to each program.

Auditor's Responsibility

Our responsibility is to express an opinion on the District's compliance with the requirements described in the Guide based on our audit. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *2017-18 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, prescribed in the California Code of Regulations (CCR), Title 5, sections 19810-19854. Those standards and the Guide require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above occurred. An audit also includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. However, our audit does not provide a legal determination of the District's compliance with those requirements.

In connection with the audit referred to above, we selected and tested transactions and records to determine the District's compliance with state laws and regulations applicable to the following programs:



	<u>Procedures performed</u>
Attendance Accounting:	
Attendance Reporting	Yes
Independent Study	Yes
Continuation Education	Yes
Teacher Certification and Misassignments	Yes
Kindergarten Continuance	Yes
Instructional Time	Yes
Instructional Materials	Yes
Ratios of Administrative Employees to Teachers	Yes
Classroom Teacher Salaries	Yes
Early Retirement Incentive	Not applicable*
Gann Limit Calculation	Yes
School Accountability Report Card	Yes
Juvenile Court Schools	Not applicable**
Middle or Early College High Schools	Yes
K-3 Grade Span Adjustment	Yes
Transportation Maintenance of Effort	Yes
Apprenticeship: Related and Supplemental Instruction	Yes
Education Effectiveness	Yes
California Clean Energy Jobs Act	Yes
After School Education and Safety Program:	
General Requirements	Yes
After School Program	Yes
Before School Program	Yes
Proper Expenditures of Education Protection Account Funds	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes



	<u>Procedures performed</u>
Local Control and Accountability Plan	Yes
Independent Study-Course Based	Not applicable***
Attendance for Charter Schools	Yes
Mode of Instruction for Charter Schools	Yes
Nonclassroom-Based Instruction/Independent Study for Charter Schools	Not applicable****
Determination of Funding for Nonclassroom-Based Instruction for Charter Schools	Not applicable****
Annual Instructional Minutes - Classroom Based for Charter Schools	Yes
Charter School Facility Grant Program	Not applicable*****

- * We did not perform any procedures related to the Early Retirement Incentive Program because the District did not offer early retirement incentive during fiscal year 2017-18.
- ** We did not perform any procedures related to Juvenile Court Schools because the District does not offer this program.
- *** The District does not have any Independent Study-Course Based Programs; therefore, we did not perform any testing related to this requirement.
- **** The District does not have any Nonclassroom-Based Instruction/Independent Study for Charter Schools; therefore, we did not perform any testing related to this requirement.
- ***** The District's charter schools did not receive Charter School Facility Grant Program funding; therefore, we did not perform any testing related to this requirement.

Opinion

In our opinion, the District complied, in all material respects, with the compliance requirements referred to above that are applicable to each of its programs for the year-ended June 30, 2018.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Guide and which are described in the accompanying schedule of findings and questioned costs as items S-2018-001 through S-2018-008. Our opinion is not modified with respect to these matters.



The District's responses to the noncompliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The District's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Simpson & Simpson

Los Angeles, California
December 14, 2018

LOS ANGELES UNIFIED SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

June 30, 2018

Section I – Summary of Auditor’s Results

Financial Statements

Type of auditor’s report issued:	Unmodified
Internal control over financial reporting:	
• Material weakness(es) identified?	None noted
• Significant deficiency(ies) identified that are not considered to be material weaknesses?	None noted
Noncompliance material to financial statements noted?	None noted

Federal Awards

Internal control over major programs:	
• Material weakness(es) identified?	Yes
• Significant deficiency(ies) identified that are not considered to be material weaknesses?	Yes

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

CFDA #	Name of Federal Program	Opinion
	Department of Agriculture – Child Nutrition Cluster:	Unmodified
10.553	School Breakfast Program	
10.555	National School Lunch Program	
10.559	Summer Food Service Program for Children	
84.010	Department of Education – Title I Grants to Local Educational Agencies	Unmodified
84.011	Department of Education – Migrant Education Program	Unmodified
84.048	Department of Education – Vocational Education Basic Grants to States (Perkins IV)	Unmodified
84.126	Department of Education – Rehabilitation Services – Vocational Rehabilitation Grants to States	Unmodified
84.287	Department of Education – Twenty-First Century Community Learning Centers	Unmodified

LOS ANGELES UNIFIED SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

June 30, 2018

CFDA #	Name of Federal Program	Opinion
84.367	Department of Education – Supporting Effective Instruction State Grant	Unmodified
84.377	Department of Education – School Improvement Grants	Unmodified
	Department of Health and Human Services – Child Care Development Fund Cluster:	Unmodified
93.575	Child Care and Development Block Grant	
93.596	Child Care Mandatory and Matching Funds of the Child Care and Development Fund	
	<ul style="list-style-type: none"> • Any audit findings disclosed which are required to be reported in accordance with 2 CFR 200.516: 	Yes
	<ul style="list-style-type: none"> • Dollar threshold used to distinguish between type A and type B programs: 	\$3,000,000
	<ul style="list-style-type: none"> • Auditee qualified as low risk auditee 	No

LOS ANGELES UNIFIED SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

June 30, 2018

State Awards

Type of auditor's report issued on compliance for state programs:

Unmodified

LOS ANGELES UNIFIED SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

June 30, 2018

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

None.

LOS ANGELES UNIFIED SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

June 30, 2018

Section III – Findings and Questioned Costs Relating to Federal Awards

Program Identification

Finding Reference Number:	F-2018-001
Federal Program Title, Awarding Agency, Pass-Through Entity, Catalog of Federal Domestic Assistance (CFDA) Number, and Award Number:	School Breakfast Program, National School Lunch Program, Summer Food Service Program for Children, U.S. Department of Agriculture, Passed through the California Department of Education, CFDA Nos. 10.553, 10.555, 10.559, PCA Nos. 13525, 13526, 13523, 13524, 13755, 13004, 13006; (Significant Deficiency) Title I Grants to Local Educational Agencies (Title I, Part A of the ESEA), U.S. Department of Education, Passed through the California Department of Education, CFDA No. 84.010, PCA No. 14329; (Significant Deficiency) School Improvement Grants, U.S. Department of Education, Passed through the California Department of Education, CFDA No. 84.377, Grant Agreement Nos. 14-15248-6473-00 and 16-15364-6473-00 (Significant Deficiency)

Compliance Requirement: Cost Principles

State Audit Guide Finding Code: 30000 and 50000

Criteria

2 CFR section 200.430(i), Standards for Documentation of Personnel Expenses, requires that charges to Federal awards for salaries and wages must be based on records that accurately reflect the work performed. These records must:

- Be supported by a system of internal control which provides reasonable assurance that the charges are accurate, allowable, and properly allocated;
- Be incorporated into the official records of the non-Federal entity;
- Reasonably reflect the total activity for which the employee is compensated by the non-Federal entity, not exceeding 100% of compensated activities;

LOS ANGELES UNIFIED SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

June 30, 2018

- Encompass both federally assisted and all other activities compensated by the non-Federal entity on an integrated basis, but may include the use of subsidiary records as defined in the non-Federal entity's written policy;
- Comply with the established accounting policies and practices of the non-Federal entity;
- Support the distribution of the employee's salary or wages among specific activities or cost objectives if the employee works on more than one Federal award; a Federal award and non-Federal award; an indirect cost activity and a direct cost activity; two or more indirect activities which are allocated using different allocation bases; or an unallowable activity and a direct or indirect cost activity.

In accordance with LAUSD Policy Bulletin 2643.8, Documentation for Employees Paid from Federal and State Categorical Programs, the Periodic Certification (formerly referred to as Semi-Annual Certifications) must be completed each fiscal year for employees whose compensation is singularly sourced from federal funds. The first periodic certification is for the period July 1st through December 31st, and the second periodic certification is for the period January 1st through June 30th. These certifications should be completed no later than January 31st and July 31st, respectively.

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 2 CFR section 200.430 and Policy Bulletin 2643.8.

Child Nutrition Cluster: In our sample of sixty (60) payroll expenditures, we noted that one (1) employee provided a signed periodic certification; however, the certification was signed subsequent to our request. We also noted that one (1) employee provided a signed multi-funded time report; however, the hours reported on the time report did not support the hours recorded on SAP, the District's accounting system.

Total exceptions amounted to \$815 of the \$53,747 sampled from \$69,953,009 of the total payroll expenditures.

Title I: In our sample of sixty (60) payroll expenditures, we noted that one (1) employee provided a signed periodic certification; however, the certification was signed subsequent to our request.

Total exceptions amounted to \$6,234 of the \$109,411 sampled from \$179,071,521 of the total payroll expenditures.

School Improvement Grants: In our sample of sixty (60) payroll expenditures, we noted that one (1) employee provided a signed periodic certification; however, the certification was dated subsequent to our request.

LOS ANGELES UNIFIED SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

June 30, 2018

Total exceptions amounted to \$1,146 of the \$89,060 sampled from the \$5,711,357 of the total payroll expenditures.

Our sample was a statistically valid sample.

Cause and Effect

The untimely certifications appear to be incidents in which employees did not follow the District's policies and procedures. The discrepancies between time-reports and SAP data seem to be due to a clerical error and lack of sufficient review.

Child Nutrition Cluster – This finding is a repeat finding and has been reported previously for June 30, 2017 (F-2017-001).

Title I Grants to Local Educational Agencies – This finding is a repeat finding and has been reported previously for June 30, 2017 (F-2017-001).

Questioned Costs:

The total cost related to the above-mentioned conditions amounted to \$8,195.

Child Nutrition Cluster (CFDA 10.553, 10.555, 10.559): \$540 due to untimely certifications; \$275 due to unsupported hours charged.

Title I Grants to Local Educational Agencies (CFDA 84.010): \$6,234 due to untimely certifications.

School Improvement Grants (CFDA 84.377): \$1,146 due to untimely certifications.

Recommendation

We recommend that the District continue to provide ongoing training to appropriate personnel on the updated procedures and include a process to monitor compliance with those procedures.

Views of Responsible Officials, Corrective Action Plans, and Contact Information

The District agrees with the audit findings.

Child Nutrition Cluster:

Training on how to correctly fill out time reporting forms were conducted with food services staff in August 2018. Food Services Division will continue to train time reporters on this area. In addition, Food Services Division will update its training guides and job aides and work with Payroll Services Division to disseminate the information to all time reporters by March 2019.

Name: Manish Singh
Title: Interim Director, Food Services Division
Telephone: (213) 241-2983

LOS ANGELES UNIFIED SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

June 30, 2018

Title I Grants to Local Educational Agencies:

In addition to existing controls, the Federal and State Education Programs (FSEP) office will implement the following actions to ensure that federal time and effort reporting requirements are adhered to for all staff whose salary is paid for with Title I funds.

1. In Fall 2018, the Controller's office released a MyPLN presentation on Time and Effort - Federal and State Categorical Programs. The presentation is based on the current guidance of BUL-2643.8 *Documentation for Employees Paid from Federal and State Categorical Programs*. By the end of January 2019, FSEP will require the departments that have employees who are centrally funded with Title I have both the employee and their time reporter view the presentation. As evidence that they have completed the presentation, the departments will be required to submit the Completion Certificate of the person(s) who viewed the presentation.
2. The FSEP office will collect periodic certifications and Personnel Activity Reports (PARs) for all centrally Title I funded personnel to review for adherence to federal and District requirements.
3. Central Offices who manage Title I-funded programs will now be required to conduct ongoing sampling of schools' time and effort documentation to ensure that the documents are completed properly and in a timely manner.
4. FSEP will continue to identify a minimum of three schools from each Local District and ask for PAR and periodic certifications documentation for school site employees funded with Title I. FSEP staff will review and provide feedback to each Local District regarding the timeliness, completeness and accuracy of the documentation. Title I Coordinators will relay this information to selected schools.
5. FSEP will collaborate with district staff in the Controller's office to provide training to Local District Title I Coordinators who will then provide training to school site Title I designees at their monthly Title I Coordinator meetings.

Name: Karen Ryback

Title: Executive Director, Federal & State Education Programs

Telephone: (213) 241-6990

School Improvement Grants:

The SIG Office will provide ongoing reminders and trainings to the SIG School Coordinators overseeing the grant at school sites to ensure timely submission of certifications. The SIG Office will also conduct random checks of required certification during school site visits.

Name: Mirian Rubalcava

Title: SIG Coordinator

Telephone: (213) 241-5573

LOS ANGELES UNIFIED SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

June 30, 2018

Program Identification

Finding Reference Number: **F-2018-002**

Federal Catalog of Domestic Assistance Number(s): 93.575 and 93.596

Federal Program Titles: Child Care and Development Fund: Child Care and Development Block Grant, Child Care Mandatory and Matching Funds of the Child Care and Development Fund (Significant Deficiency)

Awarding Agency/Pass-Through Entity: U.S. Department of Health and Human Services, California Department of Education

Award Number: Grant Agreement Nos. CSPP-7215 and CCTR-7101, PCA Nos. 15136 and 13609

Compliance Requirement: Eligibility

State Audit Guide Finding Code: 30000 and 50000

Criteria

45 CFR section 98.45(k):

Lead Agencies shall establish, and periodically revise, by rule, a sliding fee scale(s) for families that receive CCDF child care services that:

- (1) Helps families afford child care and enables choices of a range of child care options;
- (2) Is based on income and the size of the family and may be based on other factors as appropriate, but may not be based on the cost of care or amount of subsidy payment;
- (3) Provides for affordable family co-payments that are not a barrier to families receiving assistance under this part; and
- (4) At Lead Agency discretion, allows for co-payments to be waived for families whose incomes are at or below the poverty level for a family of the same size, that have children who receive or need to receive protective services, or that meet other criteria established by the Lead Agency.

Early Education Center Program Manual – Program Policy (CSPP and CCTR) states:

2.5 Income

California law limits child care and development services to families whose income, based on family size, is less than 70% of California’s State Median Income. The parent is responsible for providing documentation of the family’s total countable gross (pre-tax) income and the center is required to verify the information.

LOS ANGELES UNIFIED SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

June 30, 2018

8.1 Establishing Family Fees

The fee amount is calculated in EESIS based on:

1. The adjusted gross monthly income entered in EESIS for each parent.

Condition

In our procedures performed to determine eligibility and correct family fees charged for the childcare programs funded by this cluster, we sampled a total of sixty (60) participants from 10,010 participants and requested the family files such as annual recertification forms, pay stubs or letter and noted the following exceptions:

- a) One (1) family file had an Income Worksheet calculating monthly income based on taxable income, resulting in a \$103 monthly fee. The family was charged a total of \$1,236 for the entire school year. However, if monthly income is calculated based on gross income, the resulting monthly fee would have been \$200.
- b) One (1) family file had an Income Worksheet erroneously calculating monthly income using semi-monthly, even though the paycheck was bi-weekly, resulting in a \$52 monthly fee. The family was charged a total of \$615 for the entire school year. However, if monthly income is correctly calculated using bi-weekly, the resulting monthly fee would have been \$64.

Our sample was a statistically valid sample.

Cause and Effect

It appears that clerical oversight has resulted in errors during eligibility determination and fee calculation.

This finding is a repeat finding and has been reported previously for June 30, 2017 (F-2017-002) and June 30, 2016 (F-2016-003).

Questioned Costs

The questioned cost for (a) representing the under-charging of the family fee amounted to \$1,164 $((\$200 * 12) - \$1,236)$.

The questioned cost for (b) representing the under-charging of the family fee amounted to \$153 $((\$64 * 12) - \$615)$.

Recommendation

We recommend that the District continue to strengthen its monitoring process to ensure that student files are reviewed on a regular basis in order to comply with the regulations and the District's policies and procedures. 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 fee calculation.

LOS ANGELES UNIFIED SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

June 30, 2018

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

The District agrees with the audit finding.

The Early Childhood Education Division (ECED) has implemented and will continue to implement the following corrective action plan:

- Training of Early Education Center (EEC) office managers in small groups per Local District is held continuously throughout the fiscal year. Training topics address 12-Month Eligibility, Verification of Needs, Fees Assessment, and Attendance.
- Ongoing one-on-one training of office managers that need assistance on specific family files (Eligibility and Compliance) are provided at every scheduled EEC office managers training.
- The three Senior ECED Fiscal Technicians have been visiting EEC office managers to review student files and attendance/sign-in and sign-out sheets to verify compliance with federal requirements in relation to eligibility and reporting with the California Department of Education's funding terms and conditions.
- The Senior ECED Fiscal Technicians have been communicating to ECED administrative staff the outcome of office manager review visits so they in turn can provide ongoing assistance and support to principals in monitoring attendance records to keep them in compliance with the California Department of Education's funding terms and conditions.

Name: Dean Tagawa

Title: Executive Director, Early Childhood Education

Telephone: (213) 241-0415

LOS ANGELES UNIFIED SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

June 30, 2018

Program Identification

Finding Reference Number: **F-2018-003**

Federal Catalog of Domestic Assistance Number(s): 93.575 and 93.596

Federal Program Titles: Child Care and Development Fund: Child Care and Development Block Grant, Child Care Mandatory and Matching Funds of the Child Care and Development Fund (Material Weakness)

Awarding Agency / Pass-Through Entity: U.S. Department of Health and Human Services, California Department of Education

Award Number Grant Agreement Nos. CSPP-7215 and CCTR-7101, PCA Nos. 15136 and 13609

Compliance Requirement: Reporting

State Audit Guide Finding Code: 30000 and 50000

Criteria

VI Accounting and Reporting Requirements - Section C Enrollment and Attendance Accounting of the District Funding Terms and Conditions with CDE:

Contractors shall use daily sign-in/sign-out sheets as a primary source document for audit and reimbursement purposes.

One of the following persons shall enter the time of arrival and departure on a sign-in/sign-out sheet and, except as specified below, shall sign the sheet using their full signature for both arrival and departure times:

- The parent or other adult authorized by the parent to drop off/pick up a child; or
- The staff person designated by the contractor as the person responsible for entering the times of arrival and departure if the child is not dropped off/picked up by a parent or other adult authorized by the parent.

VI Accounting and Reporting Requirements – Section D Attendance and Absences of the District Funding Terms and Conditions with CDE:

Attendance, for the purposes of reimbursement, includes excused absences because of illness or quarantine of the child, illness or quarantine of their parent, family emergency, court-ordered visitations or a reason which is clearly in the best interest of the child.

LOS ANGELES UNIFIED SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

June 30, 2018

Section 6.3.1 Attendance and Absences of the Early Education Center (EEC) Program Manual:

Unexcused (U), On Leave of Absence (G) and Pattern Day* (P) are not reimbursable.

(Section 6.3.2, Definition of Absence Types, of the EEC Program Manual states that the term "Pattern Day" is used to indicate that the child is not expected to attend because the parent does not have a need on that day.)*

Condition

To verify the accuracy of the attendance records, we obtained and reconciled the attendance records reported in the Early Education Student Information System (EESIS), a database system with features designed to track and report attendance data, to the daily sign-in/sign-out sheets for sixty (60) participants randomly selected from twenty (20) Early Education Centers (EECs) for six (6) randomly selected weeks. As a result of the reconciliation, we noted the following three (3) discrepancies from two (2) EECs:

- One (1) sign-in/sign-out sheet tracked one (1) day of "best interest of child" and four (4) days of "present"; however, EESIS reported five (5) days of "present."
- One (1) sign-in/sign-out sheet tracked two (2) days of "illness" and three (3) days of "present"; however, EESIS reported five (5) days of "present."
- One (1) sign-in/sign-out sheet tracked five (5) days of "illness"; however, EESIS reported five (5) days of "present."

The above discrepancies were subsequently corrected in EESIS.

Our sample was a statistically valid sample.

Cause and Effect

There appears to be incidents in which inaccurate attendance was reported by District staff.

This finding is a repeat finding and has been reported previously for June 30, 2017 (F-2017-004) and June 30, 2016 (F-2016-005).

Questioned Costs

The questioned costs for the above-mentioned discrepancies in the attendance records could not be assessed (i.e., undetermined) because the District's final reimbursement amount will be determined by the California Department of Education (CDE) in accordance with sections 18039, 18054, and 18064 under the Title 5 of the California Code of Regulations (CCR). The CDE's determination is normally performed in January, seven months after the fiscal year end.

LOS ANGELES UNIFIED SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

June 30, 2018

According to § 18054 “Determination of Reimbursable Amount”:

“...all contractors shall be reimbursed for an audited claim that is the least of the following:

- (1) The maximum reimbursable amount as stated in the annual child development contract; or
- (2) The actual and allowable net costs; or
- (3) Contract service earnings - The adjusted child days/hours of enrollment for certified children, times the contract rate per child day/hour of enrollment, times the actual percentage of attendance plus five percent (5%), but in no case to exceed one hundred percent (100%) of enrollment.”

Recommendation

We recommend that the District strengthen its processes to ensure that attendance records are reported accurately.

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

The District agrees with the audit finding.

The Early Childhood Education Division (ECED) has implemented and will continue to implement the following corrective action plan:

- Training of Early Education Center (EEC) office managers in small groups per Local District is held continuously throughout the fiscal year. Training topics address 12-Month Eligibility, Verification of Needs, Fees Assessment, and Attendance.
- Ongoing one-on-one training of office managers that need assistance on specific family files (Eligibility and Compliance) are provided at every scheduled EEC office managers training.
- The three Senior ECED Fiscal Technicians have been visiting EEC office managers to review student files and attendance/sign-in and sign-out sheets to verify compliance with federal requirements in relation to eligibility and reporting with the California Department of Education’s funding terms and conditions.
- The Senior ECED Fiscal Technicians have been communicating to ECED administrative staff the outcome of office manager review visits so they in turn can provide ongoing assistance and support to principals in monitoring attendance records to keep them in compliance with the California Department of Education’s funding terms and conditions.

Name: Dean Tagawa

Title: Executive Director, Early Childhood Education

Telephone: (213) 241-0415

LOS ANGELES UNIFIED SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

June 30, 2018

Program Identification

Finding Reference Number: **F-2018-004**

Federal Catalog of Domestic Assistance Number(s): 84.010

Federal Program Titles: Title I Grants to Local Education Agencies (LEAs) (Material Weakness)

Awarding Agency / Pass-Through Entity: U.S. Department of Education, California Department of Education

Award Number: PCA No. 14329

Compliance Requirement: Special Tests – Annual Report Card, High School Graduation Rate

State Audit Guide Finding Code: 30000 and 50000

Criteria

Annual Report Card, High School Graduation Rate

An SEA and its LEAs must report graduation rate data for all public high schools at the school, LEA, and State levels using the 4-year adjusted cohort rate under 34 CFR section 200.19(b)(1)(i)-(iv). Additionally, SEAs and LEAs must include the 4-year adjusted cohort graduation rate (which may be combined with an extended-year adjusted cohort graduation rate or rates) in adequate yearly progress (AYP) determinations. Graduation rate data must be reported both in the aggregate and disaggregated by each subgroup described in 34 CFR section 200.13(b)(7)(ii) using a 4-year adjusted cohort graduation rate. Only students who earn a regular high school diploma may be counted as a graduate for purposes of calculating the 4-year adjusted cohort graduation rate. To remove a student from the cohort, a school or LEA must confirm, in writing, that the student transferred out, emigrated to another country, or is deceased. To confirm that a student transferred out, the school or LEA must have official written documentation that the student enrolled in another school or in an educational program that culminates in the award of a regular high school diploma. A student who is retained in grade, enrolls in a General Educational Development (GED) program, or leaves school for any other reason may not be counted as having transferred out for the purpose of calculating graduation rate and must remain in the adjusted cohort (Title I, Sections 1111(b)(2) and (h) of ESEA (20 USC 6311(b)(2) and (h)); 34 CFR section 200.19(b)).

Section 8.3 of the LAUSD Attendance Manual states School staff shall document students who withdraw from the school. School staff shall follow Appendix J-2: Elementary School Withdrawal Symbols and Appendix J-3: Secondary School Withdrawal Symbols when recording withdrawal data.

LOS ANGELES UNIFIED SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

June 30, 2018

Condition

We sampled a total of sixty (60) out of 169,748 students with leave codes in the school year 2016-2017 MISIS enrollment file to verify that the leave code and reason code reported in MISIS was properly supported. In our review of the documentation in comparison to the leave and reason code, we noted the following exceptions:

1. Three (3) student files from three (3) schools provided documentation that did not support the leave code entered into MISIS:

Leave Code per MISIS	Leave Code per Supporting Documentation
L3 (Student transfers to a California public school outside LAUSD)	L4 (Student transfers to a non-public school including homeschooling)
L4 (Student transfers to a non-public school including homeschooling)	L3 (Student transfers to a California public school outside LAUSD)
L5 (Student leaves California)	L8 (Deceased or Unknown)

Our sample was a statistically valid sample.

Cause and Effect

It appears that clerical oversight/misinterpretation of parental explanation for student withdrawal has resulted in miscoded leave codes.

This finding is a repeat finding and has been reported previously for June 30, 2017 (F-2017-005) and June 30, 2016 (F-2016-006).

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 train and monitor the personnel who are assigned to maintain the accuracy of student records.

Recommendation

We recommend the District continue to strengthen its controls over enrollment status by providing adequate training/monitoring to ensure that student records are accurate.

LOS ANGELES UNIFIED SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

June 30, 2018

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

Student Health and Human Services (SHHS), Pupil Services will continue to provide elementary and secondary schools with updated policy and procedures regarding appropriate withdrawal procedures.

The following corrective actions have been taken:

- Updated the withdrawal screen in MiSiS to include a hyperlink detailing the Withdrawal Types and Reasons including the validation documentation required to support the withdrawal.
- A MiSiS training clip has been created and made available online. This 2 minute and 30 second video provides instructions on how to appropriately enter a Withdrawal in MiSiS. It also reminds schools to obtain a Parent Assurance Letter when appropriate.
- Collaboration with the Organizational Excellence team who provide training and support to School Administrative Assistants (SAA) and Office Technicians located at school sites. We have met to begin the collaboration process to help ensure that clerical support staff at the schools receive consistent training as it relates to withdrawal procedures.

The following correction actions will be taken:

- Policy on withdrawal procedures will be reviewed and updated to elaborate on the protocol for documentation and instructions for appropriate data entry in the MiSiS withdrawal screen. Updated policy will be available in preparation for the next school year by June 2019.
- Online training modules on withdrawal procedures will be available June 2019.
- Update the Parent Assurance Letter (PAL) to include the Withdrawal Type next to the options listed. This will be in alignment with the withdrawal screen and will support in reducing errors when entering this information in MiSiS.
- Continue to collaborate with ITD to create and make available online training clips that provide guidance on withdrawal procedures.

Name: Michelle Castelo Alferes

Title: Director, Pupil Services

Telephone: (213) 241-3844

LOS ANGELES UNIFIED SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

June 30, 2018

Section IV – Findings and Questioned Costs Relating to State Awards

S-2018-001 Regular and Special Day Classes – Elementary Schools – Attendance Computations

State Program: Attendance Accounting: Attendance Reporting

State Audit Guide Finding Codes: 10000 and 40000

Schools Affected

- Albion Street Elementary School
- Flourney Elementary School
- Latona Avenue Elementary School
- San Gabriel Avenue 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

For our sample of twenty-six (26) 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 My Integrated Student Information System (MISIS), a system utilized by the teachers to electronically input, submit and certify student attendance on a daily basis. 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 we verified whether the SMASRs were completely and accurately summarized. We then traced these monthly statistical reports to the Attendance Ledgers, which in turn were traced to the *Second Principal Report (P2)* and the *Annual Principal Report (P3)*.

To test the integrity of the 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. In addition, since the SMASRs are generated through MISIS, we also tested the system's general internal controls which included, but were not limited to appropriate access controls.

We selected a sample of 41,349 days of attendance and 1,820 days of absences for testing and noted the following findings:

LOS ANGELES UNIFIED SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

June 30, 2018

- **Albion Street Elementary School** - Out of the 1,508 days of attendance and 56 days of absences sampled, we noted the following exception:
 - One (1) student was absent for a total of one (1) day, as evidenced by an absence note but was marked as present in the school's monthly attendance summary. The school updated MISIS to reflect the students as absent subsequent to P2 reporting and subsequent to providing the SMASRs. As MISIS has been updated to reflect the correct attendance of the student, which will be included in the revised P2 to be submitted in the Fall of 2018, this will not lead to questioned costs.

- **Flournoy Elementary School** – Out of the 1,510 days of attendance and 137 days of absences sampled, we noted the following exception:
 - One (1) student was absent for a total of one (1) day, as evidenced by an absence note, but was marked as present in the school's monthly attendance summary.

- **Latona Avenue Elementary School** - Out of the 1,260 days of attendance and 68 days of absences sampled, we noted the following exception:
 - One (1) student was absent for a total of one (1) day, as evidenced by an absence note but was marked as present in the school's monthly attendance summary. The school updated MISIS to reflect the students as absent subsequent to P2 reporting and subsequent to providing the SMASRs. As MISIS has been updated to reflect the correct attendance of the student, which will be included in the revised P2 to be submitted in the Fall of 2018, this will not lead to questioned costs.

- **San Gabriel Avenue Elementary School** – Out of the 2,400 days of attendance and 86 days of absences sampled, we noted the following exception:
 - One (1) student was absent for a total of 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, 2017 (S-2017-001) but for different schools.

Questioned Costs

- Grades K-3: $2 \text{ days}/142 \text{ days} = 0.01 \text{ ADA overstated} * \$10,204 = \$102$
 - Flournoy Elementary School
 - Grades K-3: 1 day overstated/142 days in single track school year
 - San Gabriel Avenue Elementary School
 - Grades K-3: 1 day overstated/142 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.

LOS ANGELES UNIFIED SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

June 30, 2018

View of Responsible Officials, Planned Corrective Action, and Contact Information

Student Health and Human Services (SHHS), Pupil Services will continue to provide elementary and secondary schools with updated policy and procedures regarding appropriate attendance procedures.

The following corrective actions have been taken:

- Collaboration with the Organizational Excellence team who provide training and support to School Administrative Assistants (SAA) and Office Technicians located at school sites. We have met to begin the collaboration process to help ensure that clerical support staff at the schools receives consistent training as it relates to attendance practices and procedures.

The following correction actions will be taken:

- Continue to collaborate with Information Technology Department (ITD) to create and make available online training clips that provide guidance on attendance procedures.
- Policy on attendance procedures will be reviewed and updated to provide clarity and more details where needed to support schools. Updated policy will be available in preparation for the next school year by June 2019.
- Online training modules on accurate attendance practices. These will be available January 2019.
- Collaborate with ITD to create and make available online training clips that provide guidance on accurate attendance practices.

Name: Michelle Castelo Alferes

Title: Director, Pupil Services

Telephone: (213) 241-3844

S-2018-002 Regular and Special Day Classes – Secondary Schools – Attendance Computations

State Program: Attendance Accounting: Attendance Reporting

State Audit Guide Finding Codes: 10000 and 40000

Schools Affected

- Dodson Gifted Magnet
- Drew Middle School
- Dymally Senior High
- Garfield Senior High
- Hamilton Senior High
- Hollywood Senior High
- Jordan Senior High
- Obama Global Preparation Academy
- Panorama Senior High
- Roy Romer Middle School
- Stevenson Middle School

LOS ANGELES UNIFIED SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

June 30, 2018

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

For our sample of fourteen (14) secondary 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 My Integrated Student Information System (MISIS), a system utilized by the teachers to electronically input, submit and certify student attendance on a daily basis. 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 we verified whether the SMASRs were completely and accurately summarized. We then traced these monthly statistical reports to the Attendance Ledgers, which in turn were traced to the *Second Principal Report (P2)* and the *Annual Principal Report (P3)*.

To test the integrity of the 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. In addition, since the SMASRs are generated through MISIS, we also tested the system's general internal controls which included, but were not limited to appropriate access controls.

We selected a sample of 55,042 days of attendance and 2,622 days of absences from the District's secondary schools for testing and noted the following findings:

- **Dodson Gifted Magnet** - Out of the 3,692 days of attendance and 108 days of absences sampled, we noted the following exception:
 - One (1) student was absent for a total of one (1) day, as evidenced by an absence note but was marked as present in the school's monthly attendance summary. The school updated MISIS to reflect the student as absent subsequent to P2 reporting and subsequent to providing the SMASRs. As MISIS has been updated to reflect the correct attendance of the student, which will be included in the revised P2 to be submitted in the Fall of 2018, this will not lead to questioned costs.

LOS ANGELES UNIFIED SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

June 30, 2018

- **Drew Middle School** - Out of the 3,322 days of attendance and 175 days of absences sampled, we noted the following exceptions:
 - Two (2) students were absent for a total of four (4) days, as evidenced by absence notes but were marked as present in the school's monthly attendance summary.
 - One (1) student was absent for a total of one (1) day, as evidenced by an absence note but was marked as present in the school's monthly attendance summary. The school updated MISIS to reflect the student as absent subsequent to P2 reporting and subsequent to providing the SMASRs. As MISIS has been updated to reflect the correct attendance of the student, which will be included in the revised P2 to be submitted in the Fall of 2018, this will not lead to questioned costs.
- **Dymally Senior High** - Out of the 1,728 days of attendance and 210 days of absences sampled, we noted the following exception:
 - One (1) student was absent for a total of one (1) day, as evidenced by an absence note, but was recorded as present in the school's monthly attendance summary.
- **Garfield Senior High** - Out of the 3,539 days of attendance and 146 days of absences sampled, we noted the following exception:
 - One (1) student was absent for a total of one (1) day, as evidenced by an absence note but was marked as present in the school's monthly attendance summary. The school updated MISIS to reflect the student as absent subsequent to P2 reporting and subsequent to providing the SMASRs. As MISIS has been updated to reflect the correct attendance of the student, which will be included in the revised P2 to be submitted in the Fall of 2018, this will not lead to questioned costs.
- **Hamilton Senior High** - Out of the 12,105 days of attendance and 559 days of absences sampled, we noted the following exceptions:
 - Eight (8) students were absent for a total of ten (10) days, as evidenced by absence notes, but were recorded as present in the school's monthly attendance summary.
 - Seven (7) students were absent for a total of seven (7) days, as evidenced by absence notes but were marked as present in the school's monthly attendance summary. The school updated MISIS to reflect the students as absent subsequent to P2 reporting and subsequent to providing the SMASRs. As MISIS has been updated to reflect the correct attendance of the students, which will be included in the revised P2 to be submitted in the Fall of 2018, this will not lead to questioned costs.
- **Hollywood Senior High** - Out of the 2,800 days of attendance and 147 days of absences sampled, we noted the following exception:
 - One (1) student was absent for a total of one (1) day, as evidenced by an absence note, but was recorded as present in the school's monthly attendance summary.

LOS ANGELES UNIFIED SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

June 30, 2018

- **Jordan Senior High** - Out of the 1,437 days of attendance and 156 days of absences sampled, we noted the following exception:
 - One (1) student was absent for a total of one (1) day, as evidenced by an absence note, but was recorded as present in the school's monthly attendance summary.
- **Obama Global Preparation Academy** - Out of the 2,038 days of attendance and 56 days of absences sampled, we noted the following exceptions:
 - Six (6) students were absent for a total of nine (9) days, as evidenced by absence notes but were marked as present in the school's monthly attendance summary.
- **Panorama Senior High** – Out of the 4,240 days of attendance and 195 days of absences sampled, we noted the following exception:
 - One (1) student was absent for a total of one (1) day, as evidenced by an absence note, but was recorded as present in the school's monthly attendance summary.
- **Roy Romer Middle School** - Out of the 2,688 days of attendance and 85 days of 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 were marked as present in the school's monthly attendance summary.
- **Stevenson Middle School** - Out of the 3,107 days of attendance and 102 days of absences sampled, we noted the following exception:
 - One (1) student was absent for a total of one (1) day, as evidenced by an absence note, but was recorded as present in the school's monthly attendance summary.

These findings are repeat findings, having been reported previously at June 30, 2017 (S-2017-002) but for different schools.

Questioned Costs

- Grades 4-6: 5 days/142 days = 0.04 ADA overstated * \$9,382 = \$375
 - Grades 4-6: 2 days/140 days = 0.01 ADA overstated * \$9,382 = \$94
 - Grades 7-8: 9 days/142 days = 0.06 ADA overstated * \$9,660 = \$580
 - Grades 9-12: 13 days/142 days = 0.09 ADA overstated * \$11,486 = \$1,034
 - Grades 9-12: 1 day/140 days = 0.01 ADA overstated * \$11,486 = \$115
- Drew Middle School
 - Grades 7-8: 4 days overstated/142 days in single track school year
 - Dymally Senior High
 - Grades 9-12: 1 day overstated/142 days in single track school year
 - Hamilton Senior High
 - Grades 9-12: 10 days overstated/142 days in single track school year
 - Hollywood Senior High
 - Grades 9-12: 1 day overstated/142 days in single track school year
 - Jordan Senior High
 - Grades 9-12: 1 day overstated/142 days in single track school year

LOS ANGELES UNIFIED SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

June 30, 2018

- Obama Global Preparation Academy
 - Grades 4-6: 5 days overstated/142 days in single track school year
 - Grades 7-8: 4 days overstated/142 days in single track school year
- Panorama Senior High
 - Grades 9-12: 1 day overstated/140 days in single track school year ⁽¹⁾
- Roy Romer Middle School
 - Grades 4-6: 2 days overstated/140 days in single track school year ⁽¹⁾
- Stevenson Middle School
 - Grades 7-8: 1 day overstated/142 days in single track school year

⁽¹⁾ In December 2017, the following schools experienced an emergency closure for a total of two (2) days due to the wildfires. The District submitted Form J-13A: Request for Allowance of Attendance Due to Emergency Conditions on March 26, 2018 to CDE, requesting a total of two (2) closure dates for these two schools. The request was approved by CDE on September 5, 2018. As such, the total instructional days used in the calculation will be 140 days.

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.

View of Responsible Officials, Planned Corrective Action, and Contact Information

Student Health and Human Services (SHHS), Pupil Services will continue to provide elementary and secondary schools with updated policy and procedures regarding appropriate attendance procedures.

The following corrective actions have been taken:

- Collaboration with the Organizational Excellence team who provide training and support to School Administrative Assistants (SAA) and Office Technicians located at school sites. We have met to begin the collaboration process to help ensure that clerical support staff at the schools receives consistent training as it relates to attendance practices and procedures.

LOS ANGELES UNIFIED SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

June 30, 2018

The following correction actions will be taken:

- Continue to collaborate with Information Technology Department (ITD) to create and make available online training clips that provide guidance on attendance procedures.
- Policy on attendance procedures will be reviewed and updated to provide clarity and more details where needed to support schools. Updated policy will be available in preparation for the next school year by June 2019.
- Online training modules on accurate attendance practices. These will be available January 2019.
- Collaborate with ITD to create and make available online training clips that provide guidance on accurate attendance practices.

Name: Michelle Castelo Alferes
Title: Director, Pupil Services
Telephone: (213) 241-3844

S-2018-003 – Teacher Certification and Misassignments

State Audit Guide Finding Codes: 40000 and 71000

Schools Affected

- Alexander Hamilton Senior High
- Hollywood Senior High
- Panorama Senior High

Criteria

California Education Code, Section 44203(d) - "Authorization" means the designation that appears on a credential, certificate, or permit that identifies the subjects and circumstances in which the holder of the credential, certificate, or permit may teach, or the services which the holder may render in the public schools of this state.

Section 44256 - Authorization for teaching credentials shall be of four basic kinds, as defined below:

- (a) "Single subject instruction" means the practice of assignment of teachers and students to specified subject matter courses, as is commonly practiced in California high schools and most California junior high schools. The holder of a single subject teaching credential or a standard secondary credential or a special secondary teaching credential, as defined in this subdivision, who has completed 20 semester hours of coursework or 10 semester hours of upper division or graduate coursework approved by the commission at an accredited institution in any subject commonly taught in grades 7 to 12, inclusive, other than the subject for which he or she is already certificated to teach, shall be eligible to have this subject appear on the credential as an authorization to teach this subject. The commission, by regulation, may require that evidence of additional competence is a condition for instruction in particular subjects, including, but not limited to, foreign languages. The commission may establish and implement alternative requirements for additional authorizations to the single subject credential on the basis of specialized needs. For purposes of this subdivision, a special secondary teaching credential means a special secondary teaching credential

LOS ANGELES UNIFIED SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

June 30, 2018

issued on the basis of at least a baccalaureate degree, a student teaching requirement, and 24 semester units of coursework in the subject specialty of the credential.

- (b) "Multiple subject instruction" means the practice of assignment of teachers and students for multiple subject matter instruction, as is commonly practiced in California elementary schools and as is commonly practiced in early childhood education. The holder of a multiple subject teaching credential or a standard elementary credential who has completed 20 semester hours of coursework or 10 semester hours of upper division or graduate coursework approved by the commission at an accredited institution in any subject commonly taught in grades 9 and below shall be eligible to have that subject appear on the credential as authorization to teach the subject in departmentalized classes in grades 9 and below. The governing board of a school district by resolution may authorize the holder of a multiple subject teaching credential or a standard elementary credential to teach any subject in departmentalized classes to a given class or group of students below grade 9, provided that the teacher has completed at least 12 semester units, or six upper division or graduate units, of coursework at an accredited institution in each subject to be taught. The authorization shall be with the teacher's consent. However, the commission, by regulation, may provide that evidence of additional competence is necessary for instruction in particular subjects, including, but not limited to, foreign languages. The commission may establish and implement alternative requirements for additional authorizations to the multiple subject credential on the basis of specialized needs.
- (c) "Specialist instruction" means any specialty requiring advanced preparation or special competence, including, but not limited to, reading specialist, mathematics specialist, specialist in special education, or early childhood education, and such other specialties as the commission may determine.
- (d) "Designated subjects" means the practice of assignment of teachers and students to designated technical, trade, or career technical courses which courses may be part of a program of trade, technical, or career technical education.

California Code of Regulations, Title 5, Section 80005(b)

The holder of a teaching credential based on a baccalaureate degree and a teacher preparation program, including student teaching or the equivalent, may be assigned, with his or her consent, to teach subject-matter classes which do not fall within or are not directly related to the broad subject areas listed in (a) if the employing agency has determined the teacher has the requisite knowledge and skills. Verification of this decision must be kept on file in the office of the employing agency for purposes of the monitoring of certificated assignments pursuant to Education Code Section 44258.9(b). Such courses may include, but are not limited to, life skills, conflict management, study skills, leadership, teen skills, and study hall. Service in such assignments is limited to the grade level authorized by the teaching credential.

Condition, Cause and Effect

During our procedures performed for each class sampled for attendance testing of regular and special day classes, adult education, and continuation, we reviewed the classroom teacher's credentials to determine if they possessed valid credentials, if their assigned teaching position was consistent with the authorization of their certification, and if the teachers held a valid English instruction certification in instances when the teacher taught a class in which more than 20% of the pupils were English learners.

LOS ANGELES UNIFIED SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

June 30, 2018

We tested a total of 208 K-12 teachers and noted two (2) exceptions for teachers who were assigned to teach in a position not consistent with the authorization of his/her certification, and one (1) exception for a teacher who did not have written verification for teaching an elective:

- **Alexander Hamilton Senior High** – 1 teacher was assigned to teach in a position not consistent with the authorization of his/her certification.
- **Hollywood Senior High** – 1 teacher was assigned to teach in a position not consistent with the authorization of his/her certification.
- **Panorama Senior High** – 1 teacher did not have written verification for teaching an elective on file.

These findings are repeat findings, having been reported previously at June 30, 2017 (S-2017-003) but for different schools.

Questioned Costs

Not Applicable

Recommendation

We recommend that the schools and District strengthen controls to ensure that the teachers are assigned to teach in a position consistent with the authorization of his/her certification.

View of Responsible Officials, Planned Corrective Action, and Contact Information

Human Resources (HR) will continue to strive to ensure every student is taught by an appropriately authorized teacher by providing professional development to certificated staff overseeing the master schedule and training them on how the MiSiS Assignment Monitoring Report helps school sites take timely action to ensure they do not have misassignments. Beginning with the 2018-19 school year, a True Elective form, created by HR, is available to any school site that wishes to utilize it in order to have written verification on file for teaching an elective. HR will continue to monitor English Learner compliance and work with Staff Relations to dismiss employees that fail to meet the requirements.

Name: Luz Ortega

Title: Coordinator – Credentials, Contract, and Compliance Services

Telephone: (213) 241-5349

LOS ANGELES UNIFIED SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

June 30, 2018

S-2018-004 – Kindergarten Continuance

State Audit Guide Finding Codes: 40000

Schools Affected

- Ascot Avenue Elementary School
- Beethoven Street Elementary School
- Playa Vista Elementary School
- Wonderland Avenue Elementary School

Criteria

California Education Code, Section 46300 - In computing the average daily attendance of a school district, there shall be included the attendance of pupils in kindergarten after they have completed one school year in kindergarten only if the school district has on file for each of those pupils an agreement made pursuant to Section 48011, approved in form and content by the State Department of Education and signed by the pupil's parent or guardian, that the pupil shall be retained in kindergarten for not more than an additional school year.

Condition, Cause and Effect

Using the same 24 elementary schools sampled for attendance reporting, we selected students enrolled in kindergarten for school year 2017-18 and kindergarten in school year 2016-17 and verified that a signed kindergarten continuance parental agreement (Agreement) was maintained. We noted the following exceptions:

- **Ascot Avenue Elementary School** – A signed Agreement, approved in form and content by the CDE, was not on file before the start of the school year for one (1) student.
- **Beethoven Street Elementary School** – A signed Agreement, approved in form and content by the CDE, was not on file before the start of the school year for three (3) students.
- **Playa Vista Elementary School** – Agreement for one (1) student at one (1) school was signed but did not have the Kindergarten Attendance Anniversary date nor Name of School Official Approving for the District. Since a signed agreement was on file and it was dated before the start of the school year 2017-2018, there are no adjustments to the District's ADA related for the one (1) student.
- **Wonderland Avenue Elementary School** – A signed Agreement was not on file before the start of the school year for one (1) student.

These findings are repeat findings, having been reported previously at June 30, 2017 (S-2017-004) but for different schools.

LOS ANGELES UNIFIED SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

June 30, 2018

Questioned Costs

\$48,469 (4.75 total ADA overstated x \$10,204)

- Ascot Avenue Elementary School
 - 179 days overstated / 180 days in single track school year = 0.99 ADA
- Beethoven Street Elementary School
 - 530 days overstated / 180 days in single track school year = 2.94 ADA
- Wonderland Avenue Elementary School
 - 147 days overstated / 180 days in single track school year = 0.82 ADA

Recommendation

We recommend that the schools adhere to the District's policy by retaining evidence of the signed and dated parental agreement to continue forms, approved in form and content by the CDE, for all students repeating kindergarten prior to the start of the school year to support the inclusion of such pupils in the average daily attendance computation.

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

The Division of Instruction will continue to provide elementary schools, Administrators of Instruction and Local District Directors with necessary instructions regarding kindergarten continuance parental agreement. A MiSiS enhancement is being developed for the third reporting period that will require that the continuance form date is entered. There will be a notification in MiSiS with a link to the reference guide that the form is required for the student being retained.

Name: Carlen Powell
Title: Administrator of Elementary Instruction
Telephone: (213) 241-5333

S-2018-005 Independent Study – Attendance Computations

State Program: Attendance Accounting: Attendance Reporting

State Audit Guide Finding Codes: 10000 and 40000

Schools Affected

- City of Angels School

Criteria

California Education Code, Section 51747.5 (b) – School districts, charter schools, and county offices of education may claim apportionment credit for independent study only to the extent of the time value of pupil or student work products, as personally judged in each instance by a certificated teacher.

California Education Code, Section 51747 (6) - A statement of the number of course credits or, for the elementary grades, other measures of academic accomplishment appropriate to the agreement, to be earned by the pupil upon completion.

LOS ANGELES UNIFIED SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

June 30, 2018

Condition, Cause and Effect

In our sample of one (1) school with independent study programs, we noted the following:

- **City of Angels School**
 - One (1) student's work output indicated that the student should have been credited with 11 days of attendance; however, the school's records showed 13 days of attendance. The student's days were overreported by 2 days.
 - One (1) student's work output indicated that the student should have been credited with 17 days of attendance; however, the school's records showed 18 days of attendance. The student's days were overreported by 1 day.
 - One (1) student did not have a statement of the number of courses and credits for three (3) courses on the student's master agreement for which the student was enrolled in. The student's days were overreported by 30 days.

Questioned Costs

District's independent study school:

- Grades 7-8: $1 \text{ day}/142 \text{ days} = 0.01 \text{ ADA overstated} * \$9,660 = \$97$
- Grades 9-12: $32 \text{ days}/142 \text{ days} = 0.23 \text{ ADA overstated} * \$11,486 = \$2,642$
- **City of Angels School**
 - Grades 7-8: 1 day overstated/142 days in single track school year
 - Grades 9-12: 32 days overstated/142 days in single track school year

Recommendation

We recommend that the District strengthen its review process over independent study to ensure that all course subjects taught to students are properly included in their master agreements prior to the commencement of independent study, and to ensure attendance is reported accurately.

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

City of Angels accepts the audit results and the following corrective actions will occur to ensure all faculty are supported to ensure compliance to state mandated ADA documentation:

1. Yearly professional development training of all faculty in attendance related record keeping. *
2. Differentiated professional development training for faculty identified as having attendance related record keeping issues as result of administrative random conducted audits. *
3. Individualized coaching and support of faculty identified as needing assistance with specific attendance related compliance activities. *
4. Yearly district audits conducted on randomly selected faculty.

*Audits and training will include the following compliance issues:

LOS ANGELES UNIFIED SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

June 30, 2018

- a) Master agreements are fully executed (i.e., form is properly completed with dates, courses, credits, and all other required elements)
- b) Master agreements are appropriately maintained (i.e., both sides of the master agreement are provided to student and retained in student file for each student.
- c) Attendance data is reported from Record of Assignments (ROA) to statistical report accurately.

Name: Dr. Vince Carbino
Title: Principal - Independent Study
Telephone: (323) 415-8350

S-2018-006 – After School Education and Safety Program

State Program: After School Education and Safety Program

State Audit Guide Finding Codes: 40000

Schools Affected

- Arroyo Seco Museum Science Magnet
- Burbank Middle School
- Burroughs Middle School
- Canterbury Elementary
- Clinton Middle School
- Curtiss Middle School
- Drew Middle School
- Granada Elementary
- Hope Elementary
- Kim Academy (Young Oak)
- Lawrence Middle School
- Lorena Elementary
- Los Angeles Academy Middle School
- Madison Middle School
- Malabar Elementary
- Miller Elementary
- Mountain View Elementary
- Reed Middle School
- Romer Middle School
- San Gabriel Elementary
- Sharp Elementary
- Stanford Elementary
- Stevenson Middle School
- Union Elementary
- Virginia Elementary
- White Elementary
- Wisdom Elementary

LOS ANGELES UNIFIED SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

June 30, 2018

Criteria

California Education Code 8483(a) – (1) Every after school component of a program established pursuant to this article shall commence immediately upon the conclusion of the regular school day, and operate a minimum of 15 hours per week at least until 6:00 p.m. 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 needs 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 and middle school or junior high school pupils participate in the full day of the program every day during which pupils participate, except as allowed by the early release policy pursuant to paragraph (1) of this section or paragraph (2) of subdivision (f) of Section 8483.76.

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 48 schools and 4,375 days of attendance for students who participated in the After-School Education and Safety Program. We examined the attendance records for the selected students and verified whether 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 40 schools and 3,629 days of attendance in the after school component of the After School Education and Safety Program.

There were 257 students in 29 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:

LOS ANGELES UNIFIED SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

June 30, 2018

- **Arroyo Seco Museum Science Magnet** – Fifteen (15) students did not participate in the full period of the after school program for a total of forty-five (45) days that they participated and there were no properly filled out early release forms to explain why such requirement was not complied with.
- **Burbank Middle School** – Twenty (20) students did not participate in the full period of the after school program for a total of sixty (60) days that they participated and there were no properly filled out early release forms to explain why such requirements were not complied with.
- **Burroughs Middle School** – Three (3) students did not participate in the full period of the after school program for a total of eleven (11) days that they participated and there were no properly filled out early release forms to explain why such requirements were not complied with.
- **Clinton Middle School** – Five (5) student did not participate in the full period of the after school program for a total of twenty-own (21) days that they participated and there were no properly filled out early release forms to explain why such requirements were not complied with.
- **Curtiss Middle School** – Sixteen (16) students did not participate in the full period of the after school program for a total of Sixty-one (61) days that they participated and there were no properly filled out early release forms to explain why such requirements were not complied with.
- **Drew Middle School** – Seventeen (17) students did not participate in the full period of the after school program for a total of sixty-seven (67) days that they participated and there were no properly filled out early release forms to explain why such requirements were not complied with.
- **Granada Elementary** – One (1) student did not participate in the full period of the after school program for a total of one (1) day that they participated and there was no properly filled out early release form to explain why such requirements were not complied with.
- **Hope Elementary** – One (1) student did not participate in the full period of the after school program for a total of two (2) days that they participated and there were no properly filled out early release forms to explain why such requirements were not complied with.
- **Kim Academy (Young Oak)** – Ten (10) students did not participate in the full period of the after school program for a total of thirty (30) days that they participated and there were no properly filled out early release forms to explain why such requirements were not complied with.
- **Lawrence Middle School** – Fifteen (15) students did not participate in the full period of the after school program for a total of Forty (40) days that they participated and there were no properly filled out early release forms to explain why such requirements were not complied with.
- **Lorena Elementary** – One (1) student did not participate in the full period of the after school program for a total of three (3) days that they participated and there were no properly filled out early release forms to explain why such requirements were not complied with.
- **Los Angeles Academy Middle School** – Eighteen (18) students did not participate in the full period of the after school program for a total of sixty (60) days that they participated and there were no properly filled out early release forms to explain why such requirements were not complied with.
- **Madison Middle School** – Twenty-two (22) students did not participate in the full period of the after school program for a total of seventy-six (76) days that they participated and there were no properly filled out early release forms to explain why such requirements were not complied with.

LOS ANGELES UNIFIED SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

June 30, 2018

- **Malabar Elementary** – Thirteen (13) students did not participate in the full period of the after school program for a total of sixteen (16) days that they participated and there were no properly filled out early release forms to explain why such requirements were not complied with.
- **Mountain View Elementary** – Four (4) students did not participate in the full period of the after school program for a total of seven (7) days that they participated and there were no properly filled out early release forms to explain why such requirements were not complied with.
- **Reed Middle School** – Eleven (11) student did not participate in the full period of the after school program for a total of forty (40) days that they participated and there were no properly filled out early release forms to explain why such requirements were not complied with.
- **Romer Middle School** – Ten (10) students did not participate in the full period of the after school program for a total of twenty-eight (28) days that they participated and there were no properly filled out early release forms to explain why such requirements were not complied with.
- **San Gabriel Elementary** – Ten (10) students did not participate in the full period of the after school program for a total of nineteen (19) days that they participated and there were no properly filled out early release forms to explain why such requirements were not complied with.
- **Sharp Elementary** – Two (2) students did not participate in the full period of the after school program for a total of four (4) days that they participated and there were no properly filled out early release forms to explain why such requirements were not complied with.
- **Stanford Elementary** – Three (3) students did not participate in the full period of the after school program for a total of five (5) days that they participated and there were no properly filled out early release forms to explain why such requirements were not complied with.
- **Stevenson Middle School** – Seventeen (17) students did not participate in the full period of the after school program for a total of seventy-seven (77) days that they participated and there were no properly filled out early release forms to explain why such requirements were not complied with.
- **Union Elementary** – Seven (7) students did not participate in the full period of the after school program for a total of sixteen (16) days that they participated and there were no properly filled out early release forms to explain why such requirements were not complied with.
- **Virginia Elementary** – Eight (8) students did not participate in the full period of the after school program for a total of nineteen (19) days that they participated and there were no properly filled out early release forms to explain why such requirements were not complied with.
- **White Elementary** – One (1) student did not participate in the full period of the after school program for a total of three (3) days that they participated and there were no properly filled out early release forms to explain why such requirements were not complied with.
- **Wisdom Elementary** – 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 properly filled out early release forms to explain why such requirements were not complied with.

We obtained the ASES Attendance Reports, which the District uses to report attendance, and compared the total attendance reported to the Monthly Attendance Report (MAR) for the schools for a sampled week during the school year 2017-2018. Additionally, we tested the completeness and accuracy of the reports by selecting a sample of students and tracing the same students to attendance records and vice versa. We noted the following exceptions:

LOS ANGELES UNIFIED SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

June 30, 2018

- **Burbank Middle School** – Lack of supporting information (i.e., sign-in time, sign-out time) of one (1) student to produce the attendance record for a total of one (1) day but marked present on the MAR.
- **Burroughs Middle School** – Lack of supporting information (i.e., sign-in time, sign-out time) of three (3) students to produce the attendance records for a total of seven (7) days but marked present on the MAR.
- **Clinton Middle School** – Lack of supporting information (i.e., sign-in time, sign-out time) of four (4) students to produce the attendance records for a total of sixteen (16) days but marked present on the MAR.
- **Curtiss Middle School** – Lack of supporting information (i.e., sign-in time, sign-out time) of seven (7) students to produce the attendance records for a total of seven (7) days but marked present on the MAR.
- **Kim Academy (Young Oak)** – Lack of supporting information (i.e., sign-in time, sign-out time) of one (1) student to produce the attendance record for a total of one (1) day but marked present on the MAR.
- **Lawrence Middle School** – Lack of supporting information (i.e., sign-in time, sign-out time) of one (1) student to produce the attendance record for a total of one (1) day but marked present on the MAR.
- **Los Angeles Academy Middle School** – Lack of supporting information (i.e., sign-in time, sign-out time) of one (1) student to produce the attendance record for a total of five (5) days but marked present on the MAR.
- **Madison Middle School** – Lack of supporting information (i.e., sign-in time, sign-out time) of three (3) students to produce the attendance records for a total of four (4) days but marked present on the MAR.
- **Malabar Elementary** – Lack of supporting information (i.e., sign-in time, sign-out time) of one (1) student to produce the attendance record for a total of one (1) day but marked present on the MAR.
- **Reed Middle School** – Lack of supporting information (i.e., sign-in time, sign-out time) of eight (8) students to produce the attendance records for a total of thirty-eight (38) days but marked present on the MAR.
- **Romer Middle School** – Lack of supporting information (i.e., sign-in time, sign-out time) of seven (7) students to produce the attendance records for a total of twelve (12) days but marked present on the MAR.
- **Stevenson Middle School** – Lack of supporting information (i.e., sign-in time, sign-out time) of three (3) students to produce the attendance records for a total of thirteen (13) days but marked present on the MAR.
- **Union Elementary** – Lack of supporting information (i.e., sign-in time, sign-out time) of two (2) students to produce the attendance records for a total of eight (8) days but marked present on the MAR.

LOS ANGELES UNIFIED SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

June 30, 2018

- **Virginia Elementary** – Lack of supporting information (i.e., sign-in time, sign-out time) of one (1) student to produce the attendance record for a total of one (1) day but marked present on the MAR.

Before School Component of the Program

On a sample basis, we tested the attendance documentation of 8 schools and 746 days of attendance in the before school component of the Before School Education and Safety Program.

- **Canterbury Elementary** – Lack of supporting information (i.e., sign-in time, sign-out time) of one (1) student to produce the attendance record for total of one (1) day but marked present on the MAR.
- **Miller Elementary** – One (1) student was marked absent for a total of one (1) day on the sign-in sheet but marked present on the MAR.

Questioned Costs

As a result of our testing, the over and under reporting of attendance were summarized in the Condition, Cause and Effect section above. 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's policies, specifically on maintaining accurate attendance records. We also recommend for the District to continue performing agency visits to ensure compliance with the established policies, and develop and maintain auditable supporting documentations that leave an audit trail for students who cannot have a timely participation in the program.

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

Beyond the Bell Branch will continue to implement the following procedures to ensure that documentation of reported attendance figures are readily available and accurate.

- Agency contractors and program personnel are required to attend a "Start-up Meeting" scheduled prior to the beginning of the school year which includes training on attendance and the importance of proper documentation.
- 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. Staff will continue to monitor attendance of pupils, and will continue to perform agency site visits to ensure compliance with the established policies.
- Contractors and agency program personnel are invited to attend a Federal Program Monitoring (FPM) training. Training on attendance documentation is provided during this meeting.
- Beyond the Bell Branch will continue to conduct site visits to monitor program quality and student attendance.

LOS ANGELES UNIFIED SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

June 30, 2018

- Beyond the Bell Branch will conduct random reviews/audits of Monthly Attendance Reports to examine agency sign-in/sign-out procedures, evaluate documents to ensure they comply with Beyond the Bell's early release policy, verify sign-in/sign-out forms are certified by site coordinator, and that they contain student identification numbers.

Name: Pablo Garcia-Hernandez

Title: Grant and Funding Program Manager, Beyond the Bell Branch

Telephone: (213) 241-7900

S-2018-007 – Apprenticeship

State Audit Guide Finding Codes: 40000

Trades Affected

- Elevators – National Elevator Industry Educational Program
- Sheet Metal – Joint Apprenticeship & Training Committee

Criteria

California Education Code, Section 8150.5 - Attendance of apprentices enrolled in any class maintained by a local educational agency, pursuant to Section 3074 of the Labor Code, shall be reimbursed pursuant to Section 8152 only if reported separately to the Chancellor of the California Community Colleges. Attendance reported pursuant to this section shall be used only for purposes of calculating allowances pursuant to Section 8152.

California Education Code, Section 8152(g) - The initial allocation of hours made pursuant to subdivision (e) for related and supplemental instruction at the beginning of a fiscal year, when multiplied by the hourly reimbursement rate, shall equal 100 percent of the total appropriation for apprenticeships. The Chancellor of the California Community Colleges shall notify participating local educational agencies of the initial allocation within 30 days of the enactment of the annual Budget Act.

California Education Code, Section 79149.3(a) – The reimbursement rate for related and supplemental instruction reimbursed pursuant to this article shall be established in the annual Budget Act and the rate shall be commonly applied to all providers of instruction specified in subdivision (e).

Condition, Cause and Effect

In our sample of five (5) apprenticeship trades, we selected a sample of students from each trade from school month four in the summary report used to submit the *Annual Principal Report (P3)* for which related supplemental instruction hours were reported. We traced individual student sign-in sheets to the summary hours reported per trade for school month four. We then traced the summary report used to submit the *Annual Principal Report (P3)*.

LOS ANGELES UNIFIED SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

June 30, 2018

We noted the following findings:

- **Elevators** - Of the 10,322 hours of attendance, 1,008 hours sampled and tested, we noted the following finding:
 - Attendance for four (4) students were overstated by 16 hours
- **Sheet Metal** - Of the 7,375 hours of attendance, 1,009 hours sampled and tested, we noted the following finding:
 - Attendance for one (1) student was overstated by 3 hours

Questioned Costs

19 hours * \$5.90 = \$112

- Elevators - 16 hours overstated:
 - 16 hours * \$5.90 = \$94 (80% Elevators = \$75, 20% District = \$19)
- Sheet Metal - 3 hours overstated:
 - 3 hours * \$5.90 = \$18 (80% Sheet Metal = \$14, 20% District = \$4)

Recommendation

We recommend that the District maintain its review process over the retention of sign-in sheets and compilation of the *Apprenticeship Student Hours* to ensure that the reports accurately reflect student attendance data.

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

LAUSD will continue to follow the recommendations of the Community Colleges Chancellors Office and Department of Education for Electronic Attendance Accounting for Related and Supplemental Instruction Hours (RSI) for Apprenticeship Programs. Specifically, District staff will conduct a monthly check of five (5) students each from five (5) different trades, including the two (2) trades which had findings in month 4 of FY17/18. This double check will be monthly for the entire fiscal year of 18/19 by requesting sign in sheets to match up with the electronic or other attendance record. Additional resources has been added to support fiscal record keeping.

Name: Oscar Meier
Title: Apprenticeship Advisor
Telephone: (213) 241-3780

LOS ANGELES UNIFIED SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

June 30, 2018

S-2018-008 – Ratio of Administrative Employees to Teachers

State Audit Guide Finding Codes: 40000

Criteria

California Education Code, Section 41402 – The maximum ratios of administrative employees to each 100 teachers in the various types of school districts shall be as follows: (b) In unified school districts – 8.

Condition, Cause and Effect

We noted that based on the District's administrative employee-to-teacher ratio analysis that the number of administrative employees per hundred teachers is 8.55, which exceeds the allowable ratio set forth in Education Code section 41402, which for the District is 8.

These findings are repeat findings, having been reported previously at June 30, 2017 (S-2017-008).

Questioned Costs

Per AB-99 School Finance: Education Omnibus Trailer Bill, a school district with average daily attendance of more than 400,000 as of the 2016-17 second principal apportionment, shall be exempt from any penalties calculated pursuant to Section 41404 of the Education Code for the 2016-17 and 2017-18 fiscal years.

The District is granted this exception as their second principal apportionment average daily attendance is 437,684.24.

As such, the calculation of questioned costs is not applicable.

Recommendation

We recommend that the District strengthen controls over the adherence of the administrative employees to teacher's ratio requirement.

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

- The Office of Government Relations will continue to engage our legislative leadership and the Department of Finance to explore statutory changes in the Ratio of Administrative Employees to Teachers (R2) requirements.
- The District continues the current freeze approval process implemented April 1, 2016 used to evaluate the impact of new administrative positions to the R2 ratio. Currently all newly federally funded administrative positions are being approved by the freeze committee to be filled.
- Positions available for purchase will be limited to those that are critical and essential to the daily operation of the District and which have minimum impact on the R2 ratio.
- If federal funds are available, offices and schools will be encouraged to consider changing funding on positions when appropriate and allowable by federal guidelines.

LOS ANGELES UNIFIED SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

June 30, 2018

- For the 2019-2020 school year, all positions listed in the Budget Handbook will be reviewed in order to minimize administrative positions.

Name: Sergio Franco

Title: Assistant Chief Human Resources Officer

Telephone: 213-241-8036

LOS ANGELES UNIFIED SCHOOL DISTRICT

Status of Prior Year Findings and Recommendations

June 30, 2018

Section V - Findings Relating to the Prior Year Basic Financial Statements which are Required to be Reported in Accordance with Government Auditing Standards

FS-2017-001 MISIS User Access - Significant Deficiency

Recommendation

ITD management should periodically review access to MISIS production transactions and remove inappropriate access in a timely manner.

Current Status

Corrective action(s) implemented. No exceptions noted for FY 2017/2018.

FS-2016-002 MISIS User Access - Significant Deficiency

Recommendation

ITD management should periodically review access to MISIS production transactions and remove inappropriate access in a timely manner.

Current Status

Implemented. See FS-2017-001 MISIS User Access.

LOS ANGELES UNIFIED SCHOOL DISTRICT

Status of Prior Year Findings and Recommendations

June 30, 2018

Section VI - Findings Relating to the Prior Year Federal Awards

1. Finding F-2017-001 – Cost Principles – Payroll Certifications and Documentation for Specially Funded Employee Positions

Program Identification

School Breakfast Program, National School Lunch Program, Summer Food Service Program for Children, U.S. Department of Agriculture, passed through the California Department of Education, CFDA Nos. 10.553, 10.555, 10.559, PCA Nos. 13525, 13526, 13523, 13524, 13755, 13004, 13006;

Title I Grants to Local Educational Agencies, U.S. Department of Education, passed through California Department of Education, CFDA No. 84.010, PCA No. 14329;

Career and Technical Education, Basic Grants and States (Perkins IV), U.S. Department of Education, passed through California Department of Education, CFDA No. 84.048, Grant Agreement No. 16-14894-6473-00;

Twenty-First Century Community Learning Centers, U.S. Department of Education, passed through California Department of Education, CFDA No. 84.287, Grant Agreement No. 16-14604-6473-8A;

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 California Department of Education, CFDA Nos. 93.575 and 93.596, Grant Agreement Nos. CSPP-6198 and CCTR-6099.

Recommendation

We recommend that the District continue to provide ongoing training to appropriate personnel on the updated procedures and include a process to monitor compliance with those procedures.

Current Status

Implemented.

2. Finding F-2017-002 – Eligibility – Verification Requirements

Program Identification

Child Care and Development Fund, Child Care and Development Block Grant, Child Care Mandatory and Matching Funds of the Child Care and Development Fund, U.S. Department of Health and Human Services, passed through California Department of Education, CFDA Nos. 93.575 and 93.596, Grant Agreement Nos. CSPP-6198 and CCTR-6099.

LOS ANGELES UNIFIED SCHOOL DISTRICT

Status of Prior Year Findings and Recommendations

June 30, 2018

Recommendation

We recommend that the District continue to strengthen its monitoring process to ensure that student files are reviewed on a regular basis in order to comply with the contract and records provision. The District should also continue to provide training sessions for the center managers to ensure that they are aware of the federal requirements in relation to eligibility and that the required documentation is being maintained.

Current Status

Implemented.

3. Finding F-2017-003 – Equipment – Equipment Management Policies

Program Identification

Career and Technical Education, Basic Grants and States (Perkins IV), U.S. Department of Education, passed through California Department of Education, CFDA No. 84.048, Grant Agreement No. 16-14894-6473-00;

Workforce Innovation and Opportunity Act, Title II: Adult Education and Family Literacy Act, U.S. Department of Education, passed through California Department of Education, CFDA No. 84.002, Grant Agreement Nos. 14508, 13978, and 14109.

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.

4. Finding F-2017-004 – Reporting

Program Identification

Child Care and Development Fund: Child Care and Development Block Grant, Child Care Mandatory and Matching Funds of the Child Care and Development Fund, U.S. Department of Health and Human Services, California Department of Education, CFDA Nos. 93.575 and 93.596, Grant Agreement Nos. CSPP-6198 and CCTR-6099;

Recommendation

We recommend that the District strengthen its processes to ensure that attendance records are reported accurately.

LOS ANGELES UNIFIED SCHOOL DISTRICT

Status of Prior Year Findings and Recommendations

June 30, 2018

Current Status

Implemented.

5. Finding F-2017-005 – Special Tests and Provisions – Annual Report Card, High School Graduation Rate

Program Identification

Title I Grants to Local Educational Agencies, U.S. Department of Education, passed through California Department of Education, CFDA No. 84.010, PCA No. 14329.

Recommendation

We recommend the District continue to strengthen its controls over enrollment status by providing adequate supervision/training to ensure that student records are accurate, and the required documentation is retained.

Current Status

Implemented.

LOS ANGELES UNIFIED SCHOOL DISTRICT

Status of Prior Year Findings and Recommendations

June 30, 2018

Section VII - Findings Relating to Prior Year State Awards

S-2017-001 Regular and Special Day Classes – Elementary Schools – Attendance Computations

State Program: Attendance Accounting: Attendance Reporting

State Audit Guide Finding Codes: 10000 and 40000

Schools Affected

- 3rd Street Elementary School
- Angeles Mesa Elementary School
- Bushnell Way Elementary School

Recommendation

We recommend that the District continue to strengthen its controls over implementing District policies over student attendance reporting. Furthermore, we recommend that the District continue to provide adequate attendance reporting training to the schools, so that proper attendance reporting procedures are adhered to.

Current Status

Implemented.

S-2017-002 Regular and Special Day Classes – Secondary Schools – Attendance Computations

State Program: Attendance Accounting: Attendance Reporting

State Audit Guide Finding Codes: 10000 and 40000

Schools Affected

- Belvedere Middle School
- Berendo Middle School
- Early College Academy – LA Trade Tech College
- Fairfax Senior High
- Felicitas And Gonzalo Mendez Senior High
- Robert F. Kennedy Community Schools – Los Angeles High School of the Arts
- West Adams Preparatory Senior High

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.

LOS ANGELES UNIFIED SCHOOL DISTRICT

Status of Prior Year Findings and Recommendations

June 30, 2018

Current Status

Implemented.

S-2017-003 – Teacher Certification and Misassignments

State Audit Guide Finding Codes: 40000 and 71000

Schools Affected

- Early College Academy – LA Trade Tech College
- Marlton School
- Sal Castro Middle School

Recommendation

We recommend that the schools and District strengthen controls to ensure that the teachers are assigned to teach in a position consistent with the authorization of his/her certification.

Current Status

Implemented.

S-2017-004 – Kindergarten Continuance

State Audit Guide Finding Codes: 4000

Schools Affected

- 3rd Street Elementary School
- Angeles Mesa Elementary School
- Castelar Street Elementary School

Recommendation

We recommend that the Schools adhere to the District's policy by retaining evidence of the signed and dated parental agreement to continue forms, approved in form and content by the CDE, for all students repeating kindergarten prior to the start of the school year to support the inclusion of such pupils in the average daily attendance computation.

Current Status

Implemented.

LOS ANGELES UNIFIED SCHOOL DISTRICT

Status of Prior Year Findings and Recommendations

June 30, 2018

S-2017-005 – Middle or Early College High Schools

State Audit Guide Finding Codes: 10000 and 40000

School Affected

- Middle College High School

Recommendation

We recommend that the school and District strengthen controls to ensure that students enrolled in an early college high school or middle college high school, who are also a special part-time student enrolled in a community college, obtain the minimum required instructional minutes of 180 minutes.

Current Status

Implemented.

S-2017-006 – After School Education and Safety Program

State Program: After School Education and Safety Program

State Audit Guide Finding Codes: 40000

Schools Affected

- 32nd Street USC Performing Arts
- 99th Street Elementary
- Andrew Carnegie Middle School
- Breed Street Elementary
- Bryson Avenue Elementary
- Charles Maclay Middle School
- Ellen Ochoa Learning Center
- Florence Nightingale Middle School
- Foshay Learning Center
- Gates Street Elementary
- Graham Elementary
- Hollenbeck Middle School
- Hollywood Primary Center
- John Adams Middle School
- John W. Mack Elementary
- Johnnie Cochran Jr. Middle School
- Liberty Boulevard Elementary
- Melvin Avenue Elementary
- Middleton Street Elementary
- Miles Avenue Elementary
- Northridge Middle School
- Olive Vista Middle School
- Pacific Boulevard Elementary
- Pacoima Middle School
- Playa del Rey Elementary
- President Avenue Elementary
- Robert E. Peary Middle School
- Robert Fulton College Preparatory
- San Miguel Elementary
- School of Global Leadership
- State Street Elementary
- Vanalden Avenue Elementary
- Vista Middle School
- Wadsworth Avenue Elementary
- Weigand Avenue Elementary

LOS ANGELES UNIFIED SCHOOL DISTRICT

Status of Prior Year Findings and Recommendations

June 30, 2018

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's policies, specifically on maintaining accurate attendance records. We also recommend for the District to continue performing agency visits to ensure compliance with the established policies and develop and maintain auditable supporting documentations that leave an audit trail for students who cannot have a timely participation in the program.

Current Status

Implemented.

S-2017-007 Immunizations

State Audit Guide Finding Codes: 40000

Schools Affected

- Calvert Charter for Enriched Studies
- Hillcrest Drive Elementary School
- Los Feliz Science/Tech/Engineer/Math/Medicine Magnet
- MacArthur Park Elementary Visual and Performing Arts
- MacArthur Park Elementary Visual and Performing Arts DL Spa
- Manhattan Place Elementary School
- Vine Street Elementary School
- Westside Global Awareness Magnet
- Windsor Hills Elementary Math/Science Aerospace Magnet

Recommendation

We recommend that the District strengthen its controls over implementing District policies over pupil immunization record tracking. Furthermore, we recommend that the District continue to provide adequate training to the schools, so that proper monitoring of pupil's immunization are adhered to.

Current Status

Partially implemented. The EESiS-Welligent interface to migrate pre-school students' immunization data in EECs to Welligent is in progress and is expected to be completed by April 2019.

The planned project to establish CAIR-Welligent interface for the purpose of immunization tracking/documentation is no longer necessary. School Nurses' read-only access to CAIR to look-up students' immunization data together with the other implemented corrective action plans were deemed sufficient in achieving a high immunization compliance rate result.

LOS ANGELES UNIFIED SCHOOL DISTRICT
Status of Prior Year Findings and Recommendations
June 30, 2018

S-2017-008 – Unduplicated Local Control Funding Formula Pupil Counts

State Program: Unduplicated Local Control Funding Formula Pupil Counts

State Audit Guide Finding Code: 40000

Schools Affected

- Charles H Kim Elementary School
- Overland Avenue Elementary School
- Belvedere Middle School
- Felicitas and Gonzalo Mendez Senior High
- City of Angeles Independent Studies
- Chandler Learning Academy (Dependent Charter School)

Recommendation

We recommend the District implement a more effective system of collecting meal eligibility data/records, and perform an adequate review before uploading into CALPADS to ensure all records have been properly updated to reflect the students' most recent designation.

Current Status

Implemented.

S-2017-009 – Ratio of Administrative Employees to Teachers

State Audit Guide Finding Codes: 40000

Recommendation

We recommend that the District strengthen controls over the adherence of the administrative employees to teacher's ratio requirement.

Current Status

Implemented.

INDEPENDENT AUDITOR'S MANAGEMENT LETTER



U.S. BANK TOWER
633 WEST 5TH STREET, SUITE 3320
LOS ANGELES, CA 90071
(213) 736-6664 TELEPHONE
(213) 736-6692 FAX
www.simpsonandsimpsoncpas.com

SIMPSON & SIMPSON
CERTIFIED PUBLIC ACCOUNTANTS

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

December 14, 2018

The Honorable Board of Education
Los Angeles Unified School District
Los Angeles, California

Members of the Board:

In planning and performing our audit of the financial statements of the **Los Angeles Unified School District** (District) as of and for the year ended June 30, 2018, 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 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.

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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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 page 200. Our observations and recommendations have been discussed with appropriate members of management and are intended to strengthen internal controls and operating efficiency.



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

Very truly yours,

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

Current Year Management Letter Comments

ML-2018-001 - SAP Transport Form Signature Dates

Condition

Of the forty (40) SAP Transport Change Request forms sampled, we noted the following deficiencies related to the signature sign-offs of SAP program changes as documented on SAP transport forms:

- The Data Validation sign-offs on twenty-one (21) SAP Transport Change Request forms were dated months after the change was released into production.
- The Data Validation sign-offs on five (5) SAP Transport Change Request forms had backdated dates. As a result, they were dated months after the change was released into production.
- Business Sponsor signature dates were missing for three (3) SAP Transport Change Request forms.
- User Acceptance Testing signature date was missing for one (1) SAP Transport Change Request form.
- Release Management signature date was missing for one (1) SAP Transport Change Request form.
- Quality Assurance (QA) tester signature date was missing for one (1) SAP Transport Change Request form.

Recommendation

Data validation approvals for SAP transport forms should be obtained prior to the change being implemented into production. Also, approval signatures should be dated on the SAP transport forms to help ensure the change is approved prior to the release into production.

Management Response

- Concerning the Data Validation signature sign-offs, the delay was caused by the scanner being inoperable for several months. The transport forms were not returned to the analyst for signature until the scanner was fixed and all forms were scanned. The actual data validation was completed by the analyst; however, the SAP Transport was not signed. In addition, some analysts used the signature date and others back dated using the date the validation was performed.
- Concerning the Business Sponsor, User Acceptance Testing, Release management and Quality Assurance testing signature sign-offs at times, the forms were left in the person's in-box for signature. Unfortunately, some forms are returned signed but not dated. Going forward we will make sure all signatures are dated.

Current Year Management Letter Comments

ML-2018-002 - CMS Program Change Approvals

Condition

We noted the following deficiencies related to the Cafeteria Management System (CMS) program changes as documented on CMS Change Management Approval forms:

- The Business Sponsor sign-offs on three (3) of the eight (8) CMS Change Management Approval forms sampled were missing a date.
- Quality Assurance (QA) tester sign-offs on one (1) of the eight (8) CMS Change Management Approval forms sampled were missing a date.

Recommendation

Sign-off approvals be consistently dated on CMS Change Management Approval forms.

Management Response

- Concerning the Business Sponsor sign-offs, the former Director for Food Service does not date his signature. However, this person is already separated from the District. Moving forward the interim director is aware of this issue and dates his signature.
- Concerning the Quality Assurance (QA) tester sign-offs, the QA tester had a momentary lapse and he was informed. Moving forward he will ensure that his signature is dated. In addition, the MOC Coordinator securing the signoffs will ensure that all signatures and dates are filled out completely.

ML-2018-003 - SAP User Access

Condition

Our review of access to the Create Asset Master Record (AS02) production transaction revealed that two (2) ITD personnel have access to this SAP transaction. To ensure adequate segregation of duties, IT personnel should not have access to production accounting transactions.

Subsequently, we confirmed that neither user executed the AS02 tcode in production during the year under audit.

Recommendation

ITD management should periodically review access to SAP production transactions and remove inappropriate access in a timely manner.

Management Response

Access for both users was removed on 7/05/2018 when their access to role RA109_0000 Site Asset Maintainer was discovered.

Status of Prior Year Management Letter Comments

ML-2017-001 Business Continuity Planning Project

Recommendation

We recommend that mission critical ITD business processes and systems be included in the District's BCP SEP Tier 1 classification to ensure business continuity and disaster recovery plans are developed in a timely manner for ITD's mission critical processes and systems.

Current Status

Business continuity planning is partially implemented for LAUSD. Currently, Business Continuity Plans (BCP) have been completed (i.e., baselined for testing) for 35 of LAUSD's 76 branches District-wide, this include 6 of the 12 ITD branches. Also, Disaster Recovery Plans (DRP) have yet to be completed for ITD applications (e.g., SAP, MISIS, etc.).

ML-2016-001 Business Continuity /IT Disaster Recovery Planning ML-2014-007 Business Continuity /IT Disaster Recovery Planning

Recommendation

A Business Continuity Plan that addresses the requirements for resilience, alternative processing and recovering the capability of critical district processes and IT services should be developed. The plan should be tested on a regular basis to ensure that operations and IT systems can be effectively recovered, shortcomings are addressed, and the plan remains relevant.

Current Status

Partially implemented. See ML-2017-001 Business Continuity Planning Project.

ML-2015-002 Security Management Policy and Procedures

Recommendation

We recommend that ITD management coordinate with District business/operations management to complete an information security plan (e.g., update, adopt and implement the November 2013 plan) and compile a comprehensive set of information security policies and procedures.

Current Status

Security Management Policy and Procedures are partially completed for LAUSD. Change Management, Vulnerability Management and Password Protection are in process. Incident management is pending the scheduling of a custom engagement with Microsoft for August 2018.

*The Honorable Board of Education
Los Angeles Unified School District
December 14, 2018*

Status of Prior Year Management Letter Comments

ML-2015-004 My Integrated Student Information Systems (MiSiS)

Recommendation

ITD management should implement an automated interface to process a file of employee status changes (e.g., school reassignments) against the MiSiS application security data.

Current Status

Corrective action(s) implemented as there is currently a HR Megafile to MISIS interface designed to process employee status changes in a timely manner.

[THIS PAGE INTENTIONALLY LEFT BLANK]

APPENDIX C

BOOK-ENTRY ONLY SYSTEM

THE INFORMATION IN THIS APPENDIX C CONCERNING THE DEPOSITORY TRUST COMPANY AND ITS BOOK-ENTRY SYSTEM HAS BEEN OBTAINED FROM SOURCES THAT THE DISTRICT BELIEVES TO BE RELIABLE, BUT THE DISTRICT TAKES NO RESPONSIBILITY FOR THE ACCURACY OR COMPLETENESS THEREOF. THERE CAN BE NO ASSURANCE THAT THE DEPOSITORY TRUST COMPANY WILL ABIDE BY ITS PROCEDURES OR THAT SUCH PROCEDURES WILL NOT BE CHANGED FROM TIME TO TIME.

The Depository Trust Company (“DTC”), New York, New NY, will act as securities depository for the Refunding Bonds. The Refunding Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered security certificate will be issued for each maturity of the Refunding Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world’s largest security depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has a Standard & Poor’s rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com. Information on these websites is not incorporated herein by reference.

Purchases of the Refunding Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Refunding Bonds on DTC’s records. The ownership interest of each actual purchaser of each security (“Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive

written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Refunding Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Refunding Bonds, except in the event that use of the book-entry system for the Refunding Bonds is discontinued.

To facilitate subsequent transfers, all Refunding Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of the Refunding Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Refunding Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Refunding Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of the Refunding Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Refunding Bonds, such as redemptions, tenders, defaults, and proposed amendments to the security documents. For example, Beneficial Owners of the Refunding Bonds may wish to ascertain that the nominee holding the Refunding Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Refunding Bonds are to be redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Refunding Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the District as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Refunding Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions, and other payments on the Refunding Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the District, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners

will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC or the District subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and other payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the District, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Refunding Bonds at any time by giving reasonable notice to the District. Under such circumstances, in the event that a successor depository is not obtained, security certificates are required to be printed and delivered.

The District may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, certificates will be printed and delivered to DTC and the requirements of the Refunding Resolution with respect to certificated Bonds will apply.

THE DISTRICT, THE COUNTY, THE PAYING AGENT, THE MUNICIPAL ADVISOR, AND THE UNDERWRITER CANNOT AND DO NOT GIVE ANY ASSURANCES THAT DTC, DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS OF DTC WILL DISTRIBUTE TO THE BENEFICIAL OWNERS OF THE REFUNDING BONDS (I) PAYMENTS OF PRINCIPAL OF AND INTEREST ON THE BONDS (II) CONFIRMATIONS OF THEIR OWNERSHIP INTERESTS IN THE REFUNDING BONDS OR (III) OTHER NOTICES SENT TO DTC OR CEDE & CO., ITS PARTNERSHIP NOMINEE, AS THE REGISTERED OWNER OF THE REFUNDING BONDS, OR THAT THEY WILL DO SO ON A TIMELY BASIS, OR THAT DTC, DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS WILL SERVE AND ACT IN THE MANNER DESCRIBED IN THIS OFFICIAL STATEMENT.

NEITHER THE DISTRICT, THE COUNTY, THE PAYING AGENT, THE MUNICIPAL ADVISOR, NOR THE UNDERWRITER WILL HAVE ANY RESPONSIBILITY OR OBLIGATIONS TO DTC, THE DIRECT PARTICIPANTS, THE INDIRECT PARTICIPANTS OF DTC OR THE BENEFICIAL OWNERS WITH RESPECT TO (1) THE ACCURACY OR COMPLETENESS OF ANY RECORDS MAINTAINED BY DTC OR ANY DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS OF DTC, (2) THE PAYMENT BY DTC OR ANY DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS OF DTC OF ANY AMOUNT DUE TO ANY BENEFICIAL OWNER IN RESPECT OF THE PRINCIPAL AMOUNT OF OR INTEREST ON THE REFUNDING BONDS, (3) THE DELIVERY BY DTC OR ANY DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS OF DTC OF ANY NOTICE TO ANY BENEFICIAL OWNER THAT IS REQUIRED OR PERMITTED TO BE GIVEN TO OWNERS UNDER THE TERMS OF THE REFUNDING RESOLUTION, OR (4) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS OWNER OF THE REFUNDING BONDS.

[THIS PAGE INTENTIONALLY LEFT BLANK]

APPENDIX D

PROPOSED FORM OF OPINION OF BOND COUNSEL

Upon issuance of the Refunding Bonds, Hawkins Delafield & Wood LLP, Los Angeles, California, Bond Counsel to the Los Angeles Unified School District, will render its approving opinion with respect to the Refunding Bonds in substantially the following form:

[Closing Date]

Board of Education
Los Angeles Unified School District
Los Angeles, California

Ladies and Gentlemen:

We have acted as Bond Counsel in connection with the issuance of the \$594,605,000 Los Angeles Unified School District (County of Los Angeles, California) 2019 General Obligation Refunding Bonds, Series A (Dedicated Unlimited Ad Valorem Property Tax Bonds) (the “Refunding Bonds”).

The Refunding Bonds are being issued pursuant to Title 5, Division 2, Part 1, Chapter 3, Article 9 and Article 11 of the California Government Code (the “Refunding Law”), and other applicable law, each as amended, and a resolution adopted by the District Board on November 13, 2018 (the “Refunding Resolution”).

We have examined and relied on originals or copies, certified or otherwise identified to our satisfaction, of these documents and such other documents, instruments, proceedings or corporate records, and have made such investigation of law, as we have considered necessary or appropriate for the purpose of this opinion.

Based on the foregoing, we are of the opinion that under existing law:

(1) The Refunding Resolution has been duly adopted by the District Board and constitutes valid and binding obligations of the District enforceable against the District in accordance with its terms.

(2) The Refunding Bonds constitute valid and binding general obligations of the District, payable as to both principal and interest from the proceeds of a levy of ad valorem taxes on all property subject to such taxes in the District, which taxes are unlimited as to rate or amount (except as to certain personal property which is taxable at limited rates).

(3) Under existing statutes and court decisions and assuming continuing compliance with certain tax covenants described below, (a) interest on the Refunding Bonds is excluded

from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended (the “Code”) and (b) interest on the Refunding Bonds is not treated as a preference item in calculating the alternative minimum tax under the Code.

The Code establishes certain requirements that must be met subsequent to the issuance and delivery of the Refunding Bonds in order that, for federal income tax purposes, interest on the Refunding Bonds be not included in gross income under Section 103 of the Code. These requirements include, but are not limited to, requirements relating to the use and expenditure of proceeds of the Refunding Bonds, restrictions on the investment of proceeds of the Refunding Bonds prior to expenditure and the requirement that certain earnings be rebated to the federal government. Noncompliance with such requirements may cause interest on the Refunding Bonds to be included in gross income for federal income tax purposes retroactive to their date of issue, irrespective of the date on which such noncompliance occurs or is ascertained.

On the date of delivery of the Refunding Bonds, the District will execute a Tax Certificate (the “Tax Certificate”) containing provisions and procedures pursuant to which such requirements can be satisfied. In executing the Tax Certificate, the District covenants that the District will comply with the provisions and procedures set forth therein and that the District will do and perform all acts and things necessary or desirable to assure that interest paid on the Refunding Bonds will, for federal income tax purposes, be excluded from gross income.

In rendering the opinion in paragraph (3) hereof, we have relied upon and assumed (a) the material accuracy of the representations, statements of intention and reasonable expectation, and certifications of fact contained in the Tax Certificate with respect to matters affecting the status of interest paid on the Refunding Bonds, and (b) compliance by the District with the procedures and covenants set forth in the Tax Certificate as to such tax matters.

(4) Under existing statutes, interest on the Refunding Bonds is exempt from State of California personal income taxes.

We express no opinion as to any other federal, state or local tax consequences arising with respect to the Refunding Bonds or the ownership or disposition thereof, except as stated in paragraphs (3) and (4) above. We render our opinion under existing statutes and court decisions as of the date hereof, and assume no obligation to update, revise or supplement our opinion to reflect any action hereafter taken or not taken, any fact or circumstance that may hereafter come to our attention, any change in law or interpretation thereof that may hereafter occur, or for any other reason. We express no opinion as to the consequence of any of the events described in the preceding sentence or the likelihood of their occurrence. In addition, we express no opinion on the effect of any action taken or not taken in reliance upon an opinion of other counsel regarding federal, state or local tax matters, including, without limitation, exclusion from gross income for federal income tax purposes of interest on the Refunding Bonds.

We undertake no responsibility for the accuracy, completeness or fairness of any official statement or other offering materials relating to the Refunding Bonds and express herein no opinion relating thereto.

The foregoing opinions are qualified to the extent that the enforceability of the Refunding Bonds, the Refunding Resolution and the Tax Certificate may be limited by bankruptcy, moratorium, insolvency or other laws affecting creditors' rights or remedies and are subject to general principles of equity (regardless of whether such enforceability is considered in equity or at law), and to the limitations on legal remedies against governmental entities in the State of California (including, but not limited to, rights of indemnification).

This opinion is issued as of the date hereof, and we assume no obligation to update, revise or supplement this opinion to reflect any action hereafter taken or not taken, or any facts or circumstances, or any changes in law or in interpretations thereof, that may hereafter arise or occur, or for any other reason.

Very truly yours,

[THIS PAGE INTENTIONALLY LEFT BLANK]

APPENDIX E

FORM OF CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (the “Disclosure Certificate”) is executed and delivered by the Los Angeles Unified School District (the “District”) in connection with the issuance of its Refunding Bonds (defined herein), which are being issued pursuant to the laws of the State of California and the Refunding Resolution (defined herein). The District covenants and agrees as follows:

Section 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the District and the Dissemination Agent for the benefit of the Holders and Beneficial Owners of the Refunding Bonds and in order to assist the Participating Underwriters in complying with Securities and Exchange Commission Rule 15c2-12(b)(5).

Section 2. Definitions. In addition to the definitions set forth in the Refunding Resolution, which apply to any capitalized term used in this Disclosure Certificate unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

“Annual Report” shall mean any Annual Report provided by the District pursuant to, and as described in, Sections 4 and 5 of this Disclosure Certificate.

“CUSIP Numbers” shall mean the Committee on Uniform Security Identification Procedure’s unique identification number for each public issue of a security.

“Beneficial Owner” shall mean any person who (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Refunding Bonds (including persons holding Refunding Bonds through nominees, depositories or other intermediaries), or (b) is treated as the owner of any Refunding Bonds for federal income tax purposes.

“County” shall mean the County of Los Angeles, California.

“Dissemination Agent” shall mean Digital Assurance Certification, L.L.C., or any successor Dissemination Agent designated in writing by the District and which has filed with the District a written acceptance of such designation.

“Disclosure Counsel” shall mean an attorney-at-law, or a firm of such attorneys, of nationally recognized standing in matters pertaining to the disclosure obligations under the Rule, duly admitted to the practice of law before the highest court of any state of the United States of America.

“EMMA System” shall mean the MSRB’s Electronic Municipal Market Access system, the current internet address of which is <http://emma.msrb.org>.

“Financial Obligation” shall mean, for purposes of the Listed Events set out in Section 6(b)(xv) and Section 6(b)(xvi), a (i) debt obligation; (ii) derivative instrument entered into in

connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (iii) guarantee of (i) or (ii). The term “Financial Obligation” shall not include municipal securities (as defined in the Securities Exchange Act of 1934, as amended) as to which a final official statement (as defined in the Rule) has been provided to the MSRB consistent with the Rule.

“Holder” shall mean either the registered owners of the Refunding Bonds, or if the Refunding Bonds are registered in the name of The Depository Trust Company or another recognized depository, any applicable participant in such depository system.

“Listed Events” shall mean any of the events listed in Section 6(b) of this Disclosure Certificate.

“MSRB” shall mean the Municipal Securities Rulemaking Board established pursuant to Section 15B(b)(1) of the Securities Exchange Act of 1934, or any successor thereto or to the functions of the MSRB contemplated by this Disclosure Certificate.

“Official Statement” shall mean the Official Statement dated May 7, 2019 with respect to the Refunding Bonds.

“Participating Underwriters” shall mean the original underwriters of the Refunding Bonds required to comply with the Rule in connection with offering of the Refunding Bonds.

“Refunding Bonds” shall mean the 2019 General Obligation Refunding Bonds, Series A (Dedicated Unlimited *Ad Valorem* Property Tax Bonds).

“Refunding Resolution” shall mean the resolution adopted by the Board of Education of the District on November 13, 2018.

“Rule” shall mean Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

Section 3. Transmission of Notices, Documents and Information. (a) Unless otherwise required by the MSRB, all notices, documents and information provided to the MSRB shall be provided to the EMMA System.

(b) All notices, documents and information provided to the MSRB shall be provided in an electronic format as prescribed by the MSRB.

Section 4. Provision of Annual Reports. (a) The District shall, or shall cause the Dissemination Agent to, not later than 240 days following the end of the District’s fiscal year (currently ending June 30), commencing with the report for the 2018-19 fiscal year (which is due not later than February 25, 2020), provide to the MSRB through its EMMA System an Annual Report which is consistent with the requirements of Section 5 of this Disclosure Certificate. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 5 of this Disclosure

Certificate. If the District's fiscal year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 6(c).

(b) Not later than thirty (30) days (not more than sixty (60) days) prior to the date on which the Annual Report is to be provided pursuant to subsection (a), the Dissemination Agent shall give notice to the District that the Annual Report is so required to be filed in accordance with the terms of this Disclosure Certificate. Not later than fifteen (15) days prior to said date, the District shall provide the Annual Report to the Dissemination Agent (if other than the District). If the District is unable to provide to the MSRB through its EMMA System an Annual Report by the date required in subsection (a), the Dissemination Agent shall send a timely notice of such fact to the MSRB through its EMMA System.

(c) The Dissemination Agent shall:

(i) determine each year prior to the date for providing the Annual Report to the EMMA System the date on which such Annual Report shall be due and notify the District of such date; and

(ii) (if the Dissemination Agent is other than the District) file a report with the District certifying that the Annual Report has been provided pursuant to this Disclosure Certificate, stating the date it was provided and that it was provided to the MSRB through the EMMA System.

Section 5. Content of Annual Reports. The District's Annual Report shall contain or include by reference the following:

(a) Audited financial statements of the District for the preceding fiscal year, prepared in accordance with the laws of the State of California and including all statements and information prescribed for inclusion therein by the Controller of the State of California. If the District's audited financial statements are not available by the time the Annual Report is required to be filed pursuant to Section 4 hereof, the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in the final Official Statement, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available.

(b) To the extent not included in the audited financial statement of the District, the Annual Report shall also include the following:

(i) Table 3 – “Historical Gross Assessed Valuation of Taxable Property” if and to the extent provided to the District by the County;

(ii) Table 5 – “Assessed Valuation and Parcels by Land Use”;

(iii) Table 6 – “Assessed Valuations of Single Family Homes per Parcel”;

(iv) Table 7 – “Largest Local Secured Taxpayers”;

(v) Table 9 – “Secured Tax Charges and Delinquencies,” if and to the extent provided to the District by the County;

(vi) Table A-1 – “Annual Average Daily Attendance”;

(vii) Table A-6 – “District General Fund Budget” for the current fiscal year;

(viii) Table A-20 – “Proposition BB (Election of 1997) Bonds,” if and only to the extent that bonds issued pursuant to Proposition BB or bonds that have refunded such bonds are outstanding;

(ix) Table A-21 – “Measure K (Election of 2002) Bonds,” if and only to the extent that bonds issued pursuant to Measure K or bonds that have refunded such bonds are outstanding;

(x) Table A-22 – “Measure R (Election of 2004) Bonds,” if and only to the extent that bonds issued pursuant to Measure R or bonds that have refunded such bonds are outstanding;

(xi) Table A-23 – “Measure Y (Election of 2005) Bonds,” if and only to the extent that bonds issued pursuant to Measure Y or bonds that have refunded such bonds are outstanding; and

(xii) Table A-24 – “Measure Q (Election of 2008) Bonds,” if and only to the extent that bonds issued pursuant to Measure Q or bonds that have refunded such bonds are outstanding.

(c) It shall be sufficient for purposes of Section 4 hereof if the District provides annual financial information by specific reference to documents (i) available to the public on the MSRB Internet Web site (currently, www.emma.msrb.org) or (ii) filed with the Securities and Exchange Commission. The District shall clearly identify each such other document so included by reference. The provisions of this Section 5(c) shall not apply to notices of Listed Events pursuant to Section 6 hereof.

(d) The descriptions contained in clause (b) above of financial information and operating data constituting to be included in the Annual Report are of general categories or types of financial information and operating data. When such descriptions include information that no longer can be generated because the operations to which it related have been materially changed or discontinued, or due to changes in accounting practices, legislative or organizational changes, a statement to that effect shall be provided in lieu of such information. Comparable information shall be provided if available.

Section 6. Reporting of Listed Events. (a) If a Listed Event occurs, the District shall provide or cause to be provided, in a timely manner not in excess of ten (10) Business Days of the District having notice of such Listed Event, notice of such Listed Event to (i) the EMMA System of the MSRB and (ii) the Dissemination Agent.

(b) Pursuant to the provisions of this Section 6, the District shall give, or cause to be given, notice of the occurrence of any of the following events (each, a “Listed Event”) with respect to the Refunding Bonds:

- (i) principal and interest payment delinquencies;
- (ii) non-payment related defaults, if material;
- (iii) modifications to rights of Holders, if material;
- (iv) Bond calls, if material and tender offers;
- (v) defeasances;
- (vi) rating changes;
- (vii) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (Internal Revenue Service Form 5701-TEB) or other material notices of determinations with respect to the tax status of the Refunding Bonds, or other material events affecting the tax status of the Refunding Bonds;
- (viii) unscheduled draws on the debt service reserves reflecting financial difficulties;
- (ix) unscheduled draws on the credit enhancements reflecting financial difficulties;
- (x) release, substitution or sale of property securing repayment of the Refunding Bonds, if material;
- (xi) bankruptcy, insolvency, receivership or similar event of the District (such event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for the District in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under State or federal law in which a court or government authority has assumed jurisdiction over substantially all of the assets or business of the District, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the District);
- (xii) substitution of credit or liquidity providers, or their failure to perform;
- (xiii) the consummation of a merger, consolidation, or acquisition involving the District or the sale of all or substantially all of the assets of the District, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an

action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;

(xiv) appointment of a successor or additional Paying Agent or the change of name of a Paying Agent, if material;

(xv) incurrence of a Financial Obligation of the District, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the District, any of which affect security holders, if material;

(xvi) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the District, any of which reflect financial difficulties; and

(xvii) any amendment or waiver of a provision of this Disclosure Certificate.

The District intends to comply with the Listed Events described in Section 6(b)(xv) and Section 6(b)(xvi), and the definition of “Financial Obligation” in Section 1, with reference to the Rule, any other applicable federal securities laws and the guidance provided by the Securities and Exchange Commission in Release No. 34-83885, dated August 20, 2018 (the “2018 Release”), and any further amendments or written guidance provided by the Securities and Exchange Commission or its staff with respect to the amendments to the Rule effected by the 2018 Release. The District notes that items (viii), (ix), (x) and (xii) are not applicable to the Refunding Bonds.

(c) If the District determines that a Listed Event has occurred, the District shall promptly notify the Dissemination Agent in writing. Such notice shall instruct the Dissemination Agent to report the occurrence pursuant to Section 3 hereof.

(d) If the Dissemination Agent has been instructed by the District to report the occurrence of a Listed Event, the Dissemination Agent shall file a notice of such occurrence with the MSRB through its EMMA System.

(e) Notwithstanding the foregoing, notice of Listed Events described in subsections (b)(iv) need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to Holders of affected Bonds pursuant to the Refunding Resolution.

Section 7. CUSIP Numbers. Whenever providing information to the Dissemination Agent, including but not limited to Annual Reports, documents incorporated by reference to the Annual Reports, Audited Financial Statements and notices of Listed Events, the District shall indicate the full name of the Refunding Bonds and the 9-digit CUSIP numbers for the Refunding Bonds as to which the provided information relates.

Section 8. Termination of Reporting Obligation. (a) The District’s obligations under this Disclosure Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Refunding Bonds. If such termination occurs prior to the final maturity of the Refunding Bonds, the District shall give notice of such termination in the same manner as for a Listed Event under Section 6(c).

(b) This Disclosure Certificate, or any provision hereof, shall cease to be effective in the event that the District (1) delivers to the Dissemination Agent an opinion of Disclosure Counsel, addressed to the District and the Dissemination Agent, to the effect that those portions of the Rule which require this Disclosure Certificate, or such provision, as the case may be, do not or no longer apply to the Refunding Bonds, whether because such portions of the Rule are invalid, have been repealed, or otherwise, as shall be specified in such opinion, and (2) delivers copies of such opinion to the MSRB.

Section 9. Dissemination Agent. The District may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any such Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent shall be Digital Assurance Certification, L.L.C. If at any time there is no designated Dissemination Agent appointed by the District, or if the Dissemination Agent so appointed is unwilling or unable to perform the duties of the Dissemination Agent hereunder, the District shall be the Dissemination Agent and undertake or assume its obligations hereunder. The Dissemination Agent (other than the District) shall not be responsible in any manner for the content of any notice or report required to be delivered by the District pursuant to this Disclosure Certificate.

Section 10. Amendment; Waiver. (a) This Disclosure Certificate may be amended by the District without the consent of the holders of the Refunding Bonds (except to the extent required under clause (a)(iv)(2) below), if all of the following conditions are satisfied:

(i) such amendment is made in connection with a change in circumstances that arises from a change in legal (including regulatory) requirements, a change in law (including rules or regulations) or in interpretations thereof, or a change in the identity, nature or status of the District or the type of business conducted thereby;

(ii) this Disclosure Certificate as so amended would have complied with the requirements of the Rule as of the date of this Disclosure Certificate, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances;

(iii) the District shall have received an opinion of a nationally recognized bond counsel or counsel expert in federal securities laws, addressed to the District, to the same effect as set forth in (a)(ii) above;

(iv) either (1) the District shall have received an opinion of a nationally recognized bond counsel or counsel expert in federal securities laws, addressed to the District, to the effect that the amendment does not materially impair the interests of the holders of the Refunding Bonds or (2) is approved by the Holders of the Refunding Bonds in the same manner as provided in the Refunding Resolution for amendments to the Refunding Resolution with the consent of Holders; and

(v) the District shall have delivered copies of such opinion and amendment to the MSRB through its EMMA system within ten (10) Business Days from the execution thereof.

(b) In addition to subsection 10(a) above, this Disclosure Certificate may be amended and any provision of this Disclosure Certificate may be waived, by written certificate of the District, without the consent of the holders of the Refunding Bonds, if all of the following conditions are satisfied:

(i) an amendment to the Rule is adopted, or a new or modified official interpretation of the Rule is issued, after the effective date of this Disclosure Certificate which is applicable to this Disclosure Certificate;

(ii) the District shall have received an opinion of a nationally recognized bond counsel or counsel expert in federal securities laws, addressed to the District, to the effect that performance by the District under this Disclosure Certificate as so amended or giving effect to such waiver, as the case may be, will not result in a violation of the Rule; and

(iii) the District shall have delivered copies of such opinion and amendment to the MSRB through its EMMA system.

(c) In the event of any amendment or waiver of a provision of this Disclosure Certificate, the District shall describe such amendment in the next Annual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the District. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (i) notice of such change shall be given in the same manner as for a Listed Event under Section 6 hereof, and (ii) the Annual Report for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

Section 11. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the District from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the District chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, the District shall have no obligation under this Disclosure Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

Section 12. Default. In the event of a failure of the District to comply with any provision of this Disclosure Certificate, the Dissemination Agent may (and, at the request of any Participating Underwriters or the Holders or Beneficial Owners of at least 25% of aggregate principal amount of the Refunding Bonds then outstanding, shall) or any Holders or Beneficial Owners of the Refunding Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the District to comply with its obligations under this Disclosure Certificate; provided that any such action may be instituted only in the Superior Court of the State of California in and for the County of Los

Angeles or in the U.S. District Court in the County of Los Angeles. A default under this Disclosure Certificate shall not be deemed an Event of Default under the Refunding Resolution, and the sole remedy under this Disclosure Certificate in the event of any failure of the District to comply with this Disclosure Certificate shall be an action to compel performance.

Section 13. Duties, Immunities and Liabilities of Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate, and the District agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys' fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's gross negligence or willful misconduct. The obligations of the District under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Refunding Bonds.

Section 14. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the District, the Dissemination Agent, the Participating Underwriters and Holders and Beneficial Owners from time to time of the Refunding Bonds, and shall create no rights in any other person or entity.

Dated: May 29, 2019

LOS ANGELES UNIFIED SCHOOL DISTRICT

By: _____
Dr. Scott Price
Chief Financial Officer

ACKNOWLEDGED AND AGREED TO BY:

DIGITAL ASSURANCE CERTIFICATION,
L.L.C., as Dissemination Agent

By: _____
Dissemination Agent

APPENDIX F

THE LOS ANGELES COUNTY TREASURY POOL

The Treasurer and Tax Collector of the County of Los Angeles (the “Treasurer”) manages, in accordance with California Government Code Section 53600 et seq., funds deposited with the Treasurer by County school and community college districts, various special districts and some cities. State law generally requires that all moneys of the County, school districts and certain special districts be held in the County’s Treasury Pool (the “Treasury Pool”) as described below. The composition and value of investments under management in the Treasury Pool vary from time to time, depending on the cash flow needs of the County and the other public agencies invested in the Treasury Pool, the maturity or sale of investments, purchase of new securities and fluctuations in interest rates generally. The Treasurer maintains a website, the address of which is <http://ttc.lacounty.gov>, on which the Treasurer periodically places information relating to the Treasury Pool. However, the information presented there is not part of this Official Statement, is not incorporated by reference herein and should not be relied upon in making an investment decision with respect to the Refunding Bonds.

County of Los Angeles Pooled Surplus Investments

The Treasurer and Tax Collector (the “Treasurer”) of Los Angeles County has the delegated authority to invest funds on deposit in the County Treasury (the “Treasury Pool”). As of February 28, 2019, investments in the Treasury Pool were held for local agencies including school districts, community college districts, special districts and discretionary depositors such as cities and independent districts in the following amounts:

Local Agency	Invested Funds (in billions)
County of Los Angeles and Special Districts	\$12.656
Schools and Community Colleges	15.331
Discretionary Participants	2.652
Total	<u>\$30.639</u>

The Treasury Pool participation composition is as follows:

Non-discretionary Participants	91.35%
Discretionary Participants:	
Independent Public Agencies	8.21%
County Bond Proceeds and Repayment Funds	0.44%
Total	<u>100.00%</u>

Decisions on the investment of funds in the Treasury Pool are made by the County Investment Officer in accordance with established policy, with certain transactions requiring the Treasurer’s prior approval. In Los Angeles County, investment decisions are governed by Chapter 4 (commencing with Section 53600) of Part 1 of Division 2 of Title 5 of the California

Government Code, which governs legal investments by local agencies in the State of California, and by a more restrictive Investment Policy developed by the Treasurer and adopted by the Los Angeles County Board of Supervisors on an annual basis. The Investment Policy adopted on March 19, 2019, reaffirmed the following criteria and order of priority for selecting investments:

1. Safety of Principal
2. Liquidity
3. Return on Investment

The Treasurer prepares a monthly Report of Investments (the “Investment Report”) summarizing the status of the Treasury Pool, including the current market value of all investments. This report is submitted monthly to the Board of Supervisors. According to the Investment Report dated March 31, 2019, the February 28, 2019 book value of the Treasury Pool was approximately \$30.639 billion and the corresponding market value was approximately \$30.391 billion.

An internal controls system for monitoring cash accounting and investment practices is in place. The Treasurer’s Compliance Auditor, who operates independently from the Investment Officer, reconciles cash and investments to fund balances daily. The Compliance Auditor’s staff also reviews each investment trade for accuracy and compliance with the Board adopted Investment Policy. On a quarterly basis, the County’s outside independent auditor (the “External Auditor”) reviews the cash and investment reconciliations for completeness and accuracy. Additionally, the External Auditor reviews investment transactions on a quarterly basis for conformance with the approved Investment Policy and annually accounts for all investments.

The following table identifies the types of securities held by the Treasury Pool as of February 28, 2019:

Type of Investment	% of Pool
Certificates of Deposit	6.69%
U.S. Government and Agency Obligations	67.64
Bankers Acceptances	0.00
Commercial Paper	25.25
Municipal Obligations	0.11
Corporate Notes & Deposit Notes	0.31
Repurchase Agreements	0.00
Asset Backed Instruments	0.00
Other	0.00
	<u>100.00%</u>

The Treasury Pool is highly liquid. As of February 28, 2019, approximately 38.37% of the investments mature within 60 days, with an average of 555 days to maturity for the entire portfolio.



Printed by: ImageMaster, LLC
www.imagemaster.com