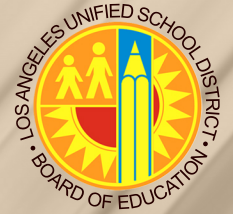


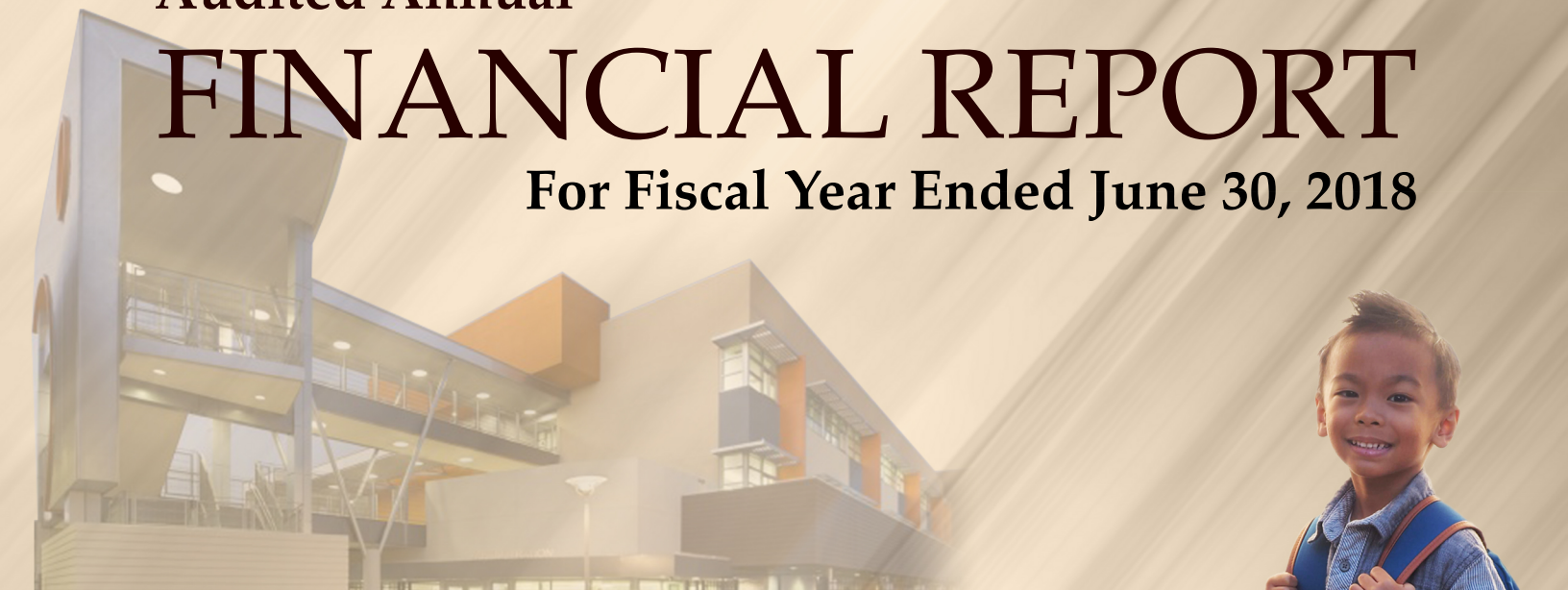
LOS ANGELES UNIFIED SCHOOL DISTRICT



Audited Annual

FINANCIAL REPORT

For Fiscal Year Ended June 30, 2018



2017-2018

Los Angeles, CA

**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**

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

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.

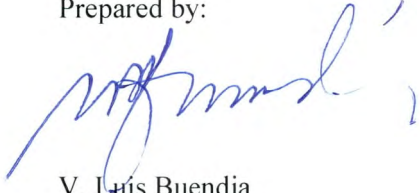
Acknowledgments

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.

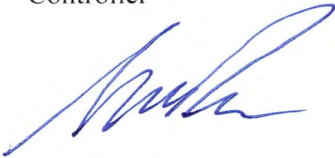
Respectfully submitted,

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

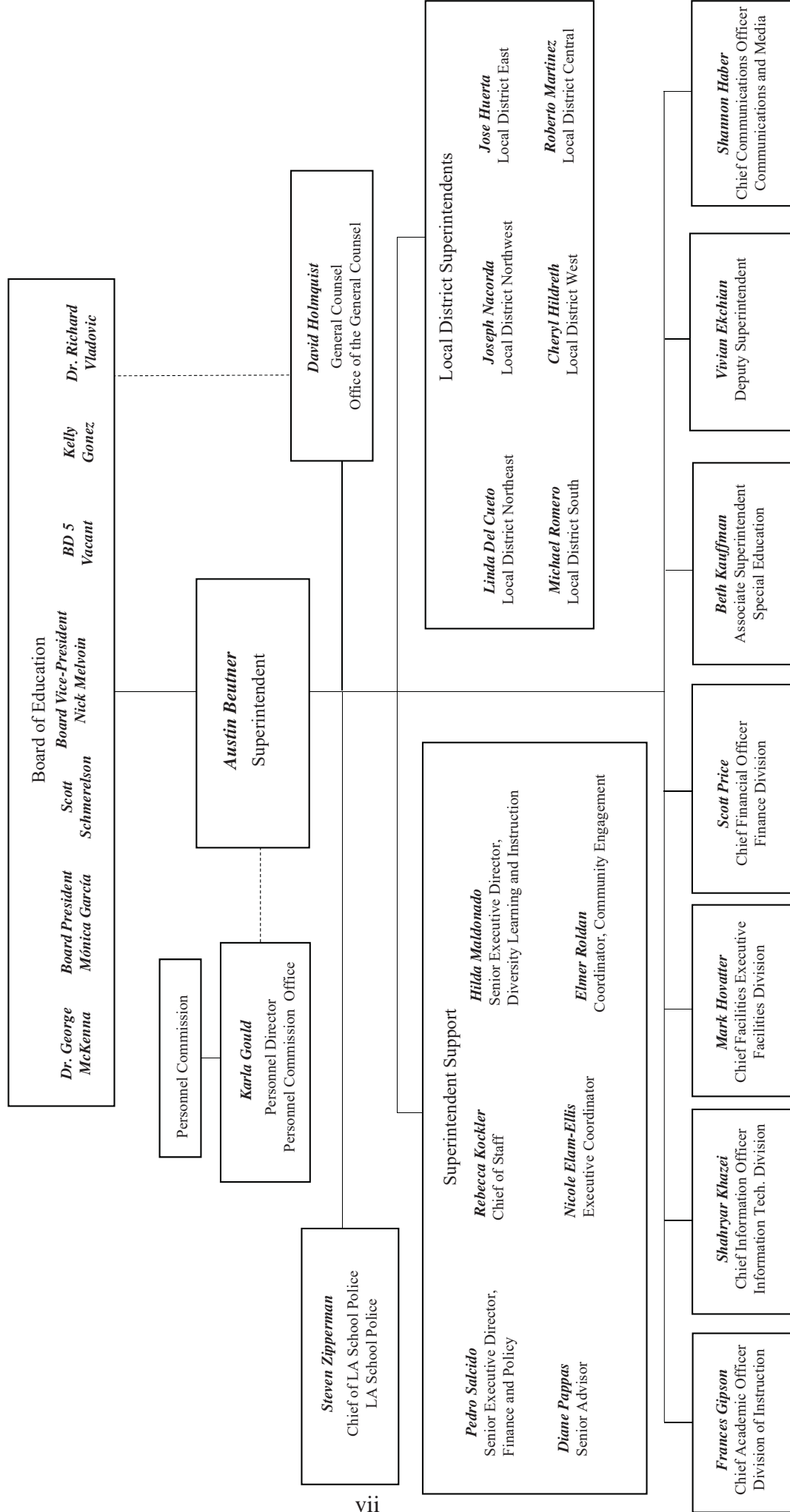
V. Luis Buendia
Controller

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



SIMPSON & SIMPSON
CERTIFIED PUBLIC ACCOUNTANTS

FOUNDING PARTNERS
BR. AINARD C. SIMPSON, CPA
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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	<u>3,362,207</u>	<u>2,002,875</u>
Current Liabilities	1,058,131	958,570
Long-term Liabilities	<u>34,273,411</u>	<u>33,735,126</u>
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	(365,597)	(8,917,294)
Net Position – Beginning of Year, Restated	(13,502,804)	(4,585,510)
Net Position – End of Year	<u>\$ (13,868,401)</u>	<u>\$ (13,502,804)</u>

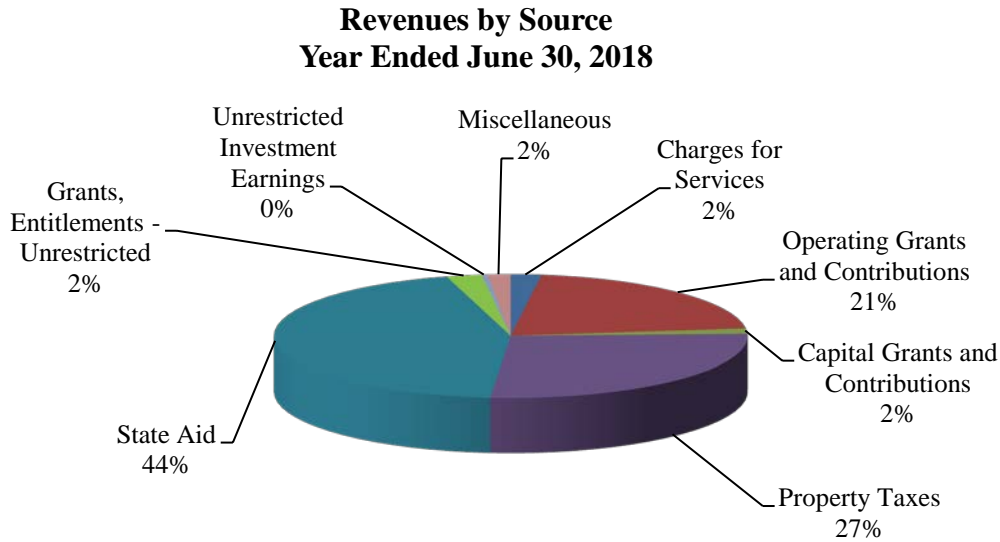
LOS ANGELES UNIFIED SCHOOL DISTRICT

Management's Discussion and Analysis

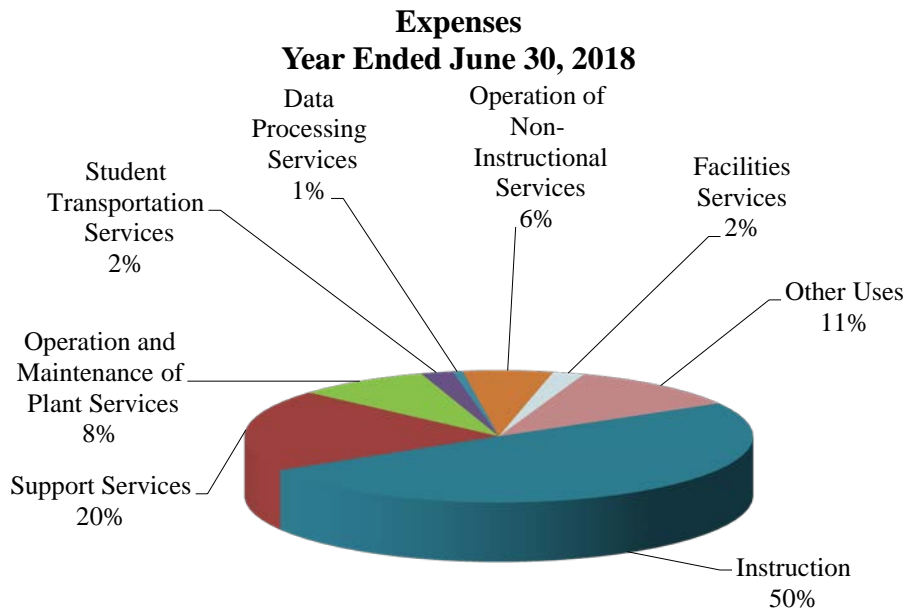
June 30, 2018

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	<u>\$ (365,597)</u>

See accompanying notes to basic financial statements.

LOS ANGELES UNIFIED SCHOOL DISTRICT
Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual
General Fund
Year Ended June 30, 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	1,054,512
Deferred Outflows of Resources	5,769
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	254,972
Noncurrent:	
Estimated liability for self-insurance claims	412,939
Net other postemployment benefits liability	25,816
Net pension liability	11,991
Total Noncurrent Liabilities	450,746
Total Liabilities	705,718
Deferred Inflows of Resources	5,153
Total Net Position – Unrestricted	\$ 349,410

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><u>\$ 968,847</u></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><u>\$ 24,817</u></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)

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

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 apportions secured property tax revenue in accordance with the alternate method of distributions prescribed by Section 4705 of the California Revenue and Taxation Code. This alternate method provides for crediting each applicable fund with its total secured taxes upon completion of the secured tax roll, approximately on October 1 of each year. The County Auditor reports the amount of the District's allocated property tax revenue to the California Department of Education. Property taxes are recorded as 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)	<u>(27,468)</u>	<u>(8,404,672)</u>
Net position at beginning of year, as restated	<u>\$ 299,997</u>	<u>\$ (13,502,804)</u>

(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>\$ (11,967,666)</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>\$ 45,303</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>\$ (748,986)</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>\$ 7,081,466</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>\$ 7,081,466</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):

	<u>General</u>	<u>Other Governmental</u>	<u>Internal Service Funds</u>	<u>Total</u>
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):

	<u>Balance, July 1, 2017</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance, June 30, 2018</u>
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	<u>\$ 665,764</u>

(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):

	<u>Deferred Outflows</u>	<u>Deferred Inflows</u>
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	<u>\$ 3,362,207</u>	<u>\$ 3,311,115</u>

(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	4,906,064
Total	<u>\$ 6,971,551</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	
	Prior to January 1, 2013	On or after January 1, 2013
Hiring date		
Benefit formula	3% @ 50	2.7% @ 57
Benefit vesting schedule	5 years service	5 years service
Benefit payments	monthly for life	monthly for life
Retirement age: minimum	50	57
Monthly benefit, as a % of eligible compensation	3.0%	2.70%
Required employee contribution rates	9.00%	11.75%
Required employer contribution rates	33.138%	33.138%

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>Year ended June 30</u>	<u>(Inflows) of Resources</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		
Benefit formula	2.0% @ 55	2.0% @ 62
Benefit vesting schedule	5 years service	5 years service
Benefit payments	monthly for life	monthly for life
Retirement age: Minimum	50	52
Monthly benefit, as a % of eligible compensation	1.10%	1.00%
Required employee contribution rates	7.00%	7.00%
Required employer contribution rates	15.531%	15.531%

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
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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	2.0% @ 60	2.0% @ 62
Benefit formula	5 years service	5 years service
Benefit vesting schedule	monthly for life	monthly for life
Benefit payments	50-55 (30 years of service credit)	55 (5 years of service credit)
Retirement age: Minimum	1.1% - 2.4%	1.16% - 2.4%
Monthly benefit, as a % of eligible compensation	10.25%	9.205%
Required employee contribution rates	14.43%	14.43%
Required employer contribution rates		

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
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	—
Total	\$ 1,990,475	\$ 1,147,872

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>Deferred 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	69
Total	<u>99,301</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 [(0.18%) - 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 (2.60%)	Current Discount Rate (3.60%)	1.00% Increase (4.60%)
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	Trend Rate	1.00% Increase
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	Deferred Inflows of Resources
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
		Original	Remaining	Original	Remaining	
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):

Bond Issue	Sale Date	Original Principal Amount	Outstanding June 30, 2018	Interest Rates to Maturity		Final Maturity
				Min	Max	
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):

<u>From</u>	<u>To</u>	<u>Purpose</u>	<u>Amount</u>
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	<u>27,564</u>	<u>634</u>	<u>—</u>	<u>7,076</u>
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	—	—	—	3,199
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	<u>135,766</u>	<u>1,477,046</u>	<u>810,110</u>	<u>511,793</u>
Assigned to:				
Subsequent year expenditures	1,057,387	—	—	263,929
Unassigned:				
Reserved for economic uncertainties	75,381	—	—	—
Unassigned	714,675	—	—	—
Total Fund Balances	<u>\$ 2,010,773</u>	<u>\$ 1,477,680</u>	<u>\$ 810,110</u>	<u>\$ 782,798</u>

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

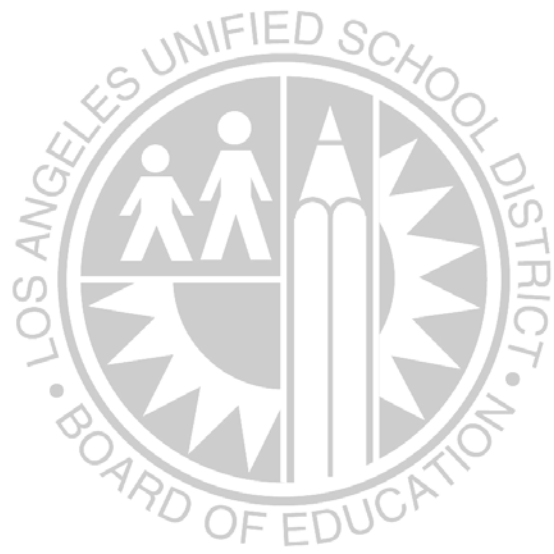
Year Ended June 30, 2018

(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**

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	<u>(12,325)</u>	<u>(12,853)</u>	<u>(13,653)</u> **	<u>(14,041)</u>
Net change in total pension liability	18,080	8,097	31,793 **	45,045
Total pension liability – beginning	<u>296,973</u>	<u>315,053</u>	<u>323,150</u>	<u>354,943</u>
Total pension liability – ending (a)	<u><u>315,053</u></u>	<u><u>323,150</u></u>	<u><u>354,943</u></u>	<u><u>399,988</u></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	<u>—</u>	<u>1</u>	<u>(3)</u>	<u>(15)</u>
Net change in plan fiduciary net position	35,799	4,505	(695) **	27,507
Plan fiduciary net position – beginning	<u>213,160</u>	<u>248,959</u>	<u>253,464</u> **	<u>252,769</u>
Plan fiduciary net position – ending (b)	<u>248,959</u>	<u>253,464</u>	<u>252,769</u>	<u>280,276</u>
Net pension liability – ending (a) - (b)	<u><u>\$ 66,094</u></u>	<u><u>\$ 69,686</u></u>	<u><u>\$ 102,174</u></u>	<u><u>\$ 119,712</u></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:

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	245,474	302,716	358,073	407,198
Contribution deficiency (excess)	\$ —	\$ —	\$ —	\$ —
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)

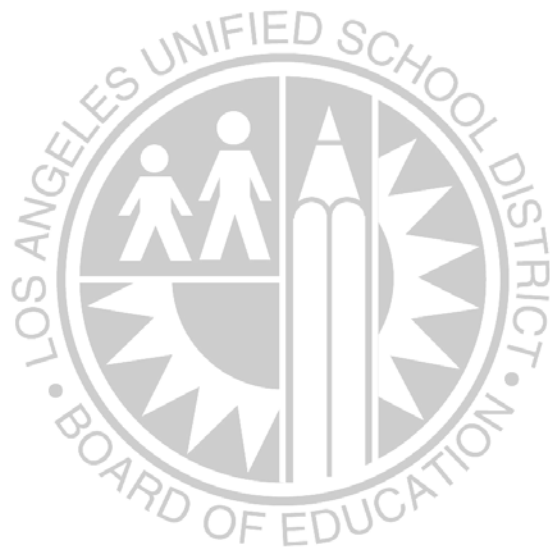
	Budget		Actual	Variance with Final Budget – Favorable (Unfavorable)
	Original	Final		
Revenues:				
Other local revenues	\$ 7,090	\$ 7,090	\$ 24,721	\$ 17,631
Total Revenues	<u>7,090</u>	<u>7,090</u>	<u>24,721</u>	<u>17,631</u>
Expenditures:				
Current:				
Classified salaries	127,309	197,583	54,382	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	124,524	122,547	784,914	662,367
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	<u>2,880</u>	<u>51,422</u>	<u>45,817</u>	<u>(5,605)</u>
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.

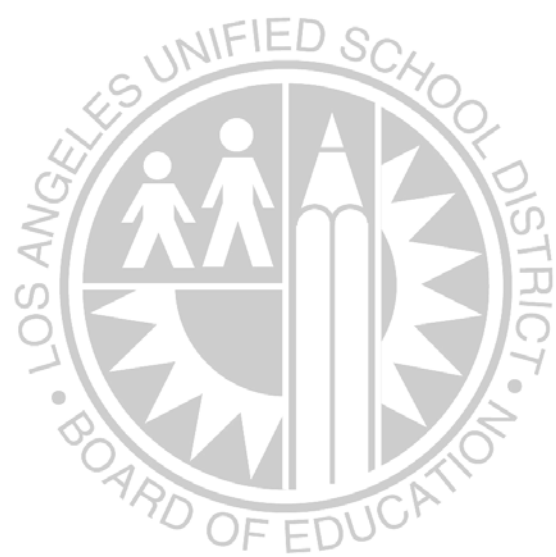
The Special Reserve Fund is used to account for District resources designated for capital outlay purposes such as land purchases, ground improvements, facilities construction and improvements, new acquisitions, and related expenditures.

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
—	—	—
—	—	—
401	40,630	41,031
—	—	—
\$ 401	\$ 40,630	\$ 41,031
\$ —	\$ —	\$ —
—	—	—
—	—	—
—	—	—
—	—	—
—	—	—
—	—	—
—	—	—
—	—	—
401	40,630	41,031
—	—	—
401	40,630	41,031
\$ 401	\$ 40,630	\$ 41,031

(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	<u>34,364</u>	<u>395</u>	<u>64,168</u>	<u>98,927</u>
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
—	—	—
6	694	700
6	1,268	1,274
—	—	—
—	—	—
—	—	—
—	—	—
—	—	—
—	42,862	42,862
—	10,489	10,489
—	—	—
—	—	—
—	53,351	53,351
6	(52,083)	(52,077)
—	35,197	35,197
—	—	—
—	35,197	35,197
6	(16,886)	(16,880)
395	57,516	57,911
\$ 401	\$ 40,630	\$ 41,031

(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	637	106,389	187	54,843
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	—	92,454	—	43,736
Excess (Deficiency) of Revenues Over (Under) Expenditures	637	13,935	187	11,107
Other Financing Sources (Uses):				
Transfers in	—	—	—	6,981
Transfers out	—	(10,790)	(625)	(69,054)
Total Other Financing Sources (Uses)	—	(10,790)	(625)	(62,073)
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	\$ 9,474	\$ 237,115	\$ 5,696	\$ 242,300

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
<u>32,255</u>	<u>16,021</u>	<u>53</u>	<u>32</u>	<u>210,417</u>	<u>846,717</u>
—	—	—	—	—	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
<u>1,043</u>	<u>16,434</u>	<u>51</u>	<u>—</u>	<u>153,718</u>	<u>863,841</u>
<u>31,212</u>	<u>(413)</u>	<u>2</u>	<u>32</u>	<u>56,699</u>	<u>(17,124)</u>
—	2,299	—	—	9,280	70,415
(20,000)	(8,846)	—	—	(109,315)	(109,330)
<u>(20,000)</u>	<u>(6,547)</u>	<u>—</u>	<u>—</u>	<u>(100,035)</u>	<u>(38,915)</u>
11,212	(6,960)	2	32	(43,336)	(56,039)
49,469	84,820	3,406	2,097	681,999	838,837
<u>\$ 60,681</u>	<u>\$ 77,860</u>	<u>\$ 3,408</u>	<u>\$ 2,129</u>	<u>\$ 638,663</u>	<u>\$ 782,798</u>

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

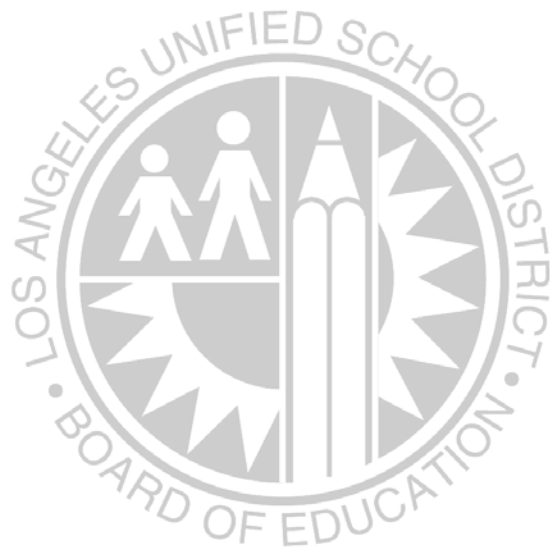
Child Development				Cafeteria			
Budget		Actual	Variance with Final Budget – Favorable (Unfavorable)	Budget		Actual	Variance with Final Budget – Favorable (Unfavorable)
Original	Final			Original	Final		
\$ 4,529	\$ 4,529	\$ 5,639	\$ 1,110	\$ 349,752	\$ 344,781	\$ 345,320	\$ 539
115,037	115,075	124,249	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	<u>86,848</u>	<u>98,927</u>	<u>98,927</u>	<u>—</u>
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	—	395	395	—
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
<u>907</u>	<u>910</u>	<u>1,268</u>	<u>358</u>	<u>907</u>	<u>910</u>	<u>1,274</u>	<u>364</u>
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
<u>36,928</u>	<u>54,148</u>	<u>53,351</u>	<u>797</u>	<u>36,928</u>	<u>54,543</u>	<u>53,351</u>	<u>1,192</u>
(36,021)	(53,238)	(52,083)	1,155	(36,021)	(53,633)	(52,077)	1,556
<u>36,021</u>	<u>36,018</u>	<u>35,197</u>	<u>(821)</u>	<u>36,021</u>	<u>36,018</u>	<u>35,197</u>	<u>(821)</u>
<u>36,021</u>	<u>36,018</u>	<u>35,197</u>	<u>(821)</u>	<u>36,021</u>	<u>36,018</u>	<u>35,197</u>	<u>(821)</u>
—	(17,220)	(16,886)	334	—	(17,615)	(16,880)	735
<u>57,469</u>	<u>57,516</u>	<u>57,516</u>	<u>—</u>	<u>57,469</u>	<u>57,911</u>	<u>57,911</u>	<u>—</u>
<u>\$ 57,469</u>	<u>\$ 40,296</u>	<u>\$ 40,630</u>	<u>\$ 334</u>	<u>\$ 57,469</u>	<u>\$ 40,296</u>	<u>\$ 41,031</u>	<u>\$ 735</u>

LOS ANGELES UNIFIED SCHOOL DISTRICT
 Capital Projects Funds
 Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual
 Year Ended June 30, 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	8,871	8,837	8,837	—
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

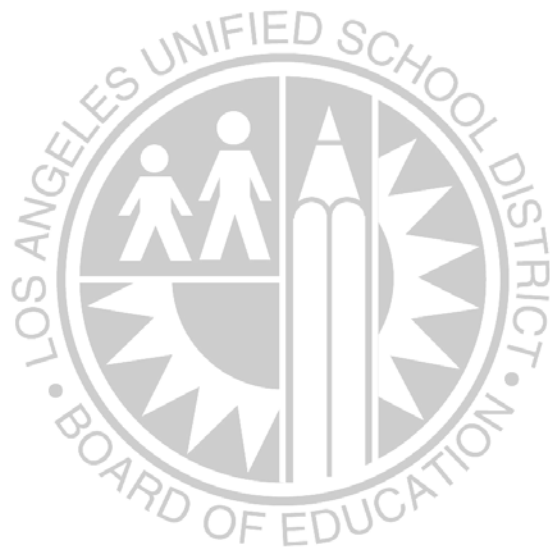
(Continued)

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	—	—	53	53
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	2,619	3,250	51	3,199
Excess (Deficiency) of Revenues Over (Under) Expenditures	(2,619)	(3,250)	2	3,252
Other Financing Sources (Uses):				
Transfers in	—	—	—	—
Transfers out	—	—	—	—
Total Other Financing Sources (Uses)	—	—	—	—
Net Changes in Fund Balances	(2,619)	(3,250)	2	3,252
Fund Balances, July 1, 2017	2,771	3,406	3,406	—
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.

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	<u>275,671</u>	<u>519,101</u>	<u>134,251</u>	<u>929,023</u>
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.

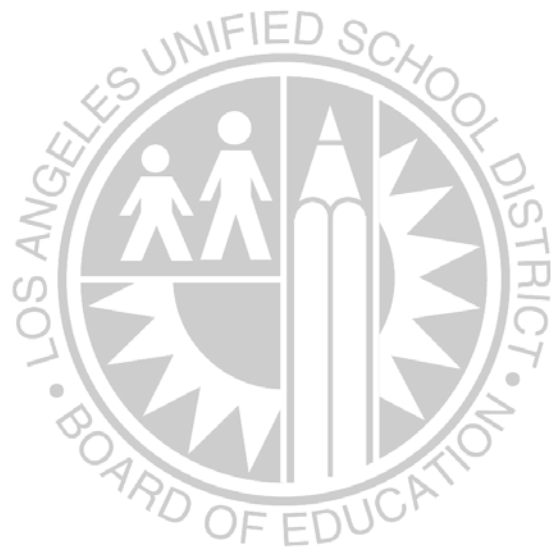
The Student Body Fund was established to account for cash held by the District on behalf of the student bodies at various school sites.

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.

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**

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>565,450</u>	<u>547,592</u>	<u>534,345</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	133,233.66	130,676.24	126,932.24	121,581.72	119,161.14
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	670.05	628.23	489.84	417.13	354.29
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	7,468.47	7,454.27	7,219.75	8,760.14	8,516.49
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><u>527,562.38</u></u>	<u><u>515,745.25</u></u>	<u><u>503,213.46</u></u>	<u><u>489,382.93</u></u>	<u><u>477,987.36</u></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 Baudry 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 Melvoin	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: (As of October)	<u>2014-2015</u>	<u>2015-2016</u>	<u>2016-2017</u>	<u>2017-2018</u>
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>

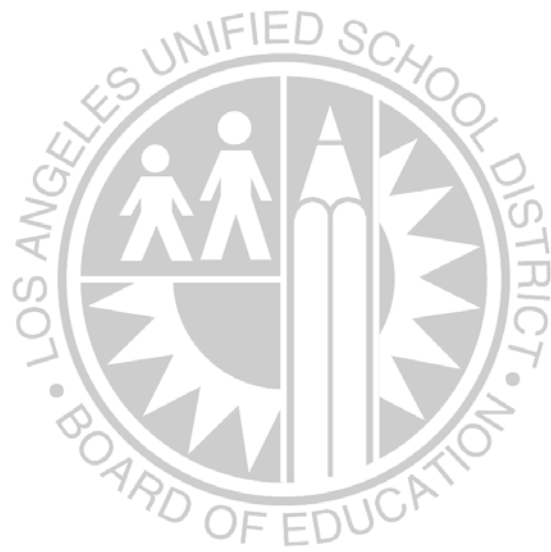
See accompanying independent auditor's report.

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					
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	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	278.85	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 01117036	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			<u>8,566.95</u>	<u>8,516.49</u>	<u>8,566.95</u>	<u>8,516.49</u>

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
40,294.44	40,207.42	40,294.44	40,207.42

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 Inskip 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)

	<u>CDS Code</u>	<u>Affiliated</u>	<u>Fiscally Independent</u>	<u>Included in the District Audit</u>
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		<u>278,616</u>	
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**



SIMPSON & SIMPSON
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Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards

To The Honorable Board of Education
Los Angeles Unified School District

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the **Los Angeles Unified School District** (the District), as of and for the year ended June 30, 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



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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



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Independent Auditor's Report on State Compliance

To The Honorable Board of Education
Los Angeles Unified School District

Report on Compliance

We have audited the compliance of the **Los Angeles Unified School District** (the District), with the compliance requirements described in the *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.

A handwritten signature in black ink that reads "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

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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

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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

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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.

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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
- Flournoy 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.

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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: $5 \text{ days} / 142 \text{ days} = 0.04 \text{ ADA overstated} * \$9,382 = \$375$
- Grades 4-6: $2 \text{ days} / 140 \text{ days} = 0.01 \text{ ADA overstated} * \$9,382 = \$94$
- Grades 7-8: $9 \text{ days} / 142 \text{ days} = 0.06 \text{ ADA overstated} * \$9,660 = \$580$
- Grades 9-12: $13 \text{ days} / 142 \text{ days} = 0.09 \text{ ADA overstated} * \$11,486 = \$1,034$
- Grades 9-12: $1 \text{ day} / 140 \text{ days} = 0.01 \text{ ADA overstated} * \$11,486 = \$115$
- 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.

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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

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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
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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



SIMPSON & SIMPSON
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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.

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 Megafire to MISIS interface designed to process employee status changes in a timely manner.