



LOS ANGELES UNIFIED SCHOOL DISTRICT

AUDITED ANNUAL

# FINANCIAL REPORT

FOR FISCAL YEAR ENDED JUNE 30, 2019



# 2018-2019

LOS ANGELES, CA





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

**AUDITED ANNUAL  
FINANCIAL REPORT  
FISCAL YEAR ENDED JUNE 30, 2019**

**MR. AUSTIN BEUTNER**  
SUPERINTENDENT OF SCHOOLS

**MS. MEGAN K. REILLY**  
DEPUTY SUPERINTENDENT, BUSINESS SERVICES & OPERATIONS  
(EFFECTIVE JULY 8, 2019)

**MR. V. LUIS BUENDIA**  
INTERIM CHIEF FINANCIAL OFFICER  
(EFFECTIVE SEPTEMBER 3, 2019)

**MR. SCOTT S. PRICE, PH.D.**  
CHIEF FINANCIAL OFFICER  
(JULY 3, 2017 – AUGUST 31, 2019)

**MS. JOY MAYOR**  
INTERIM CONTROLLER  
(EFFECTIVE OCTOBER 16, 2019)



**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, 2019

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Audited Annual Financial Report

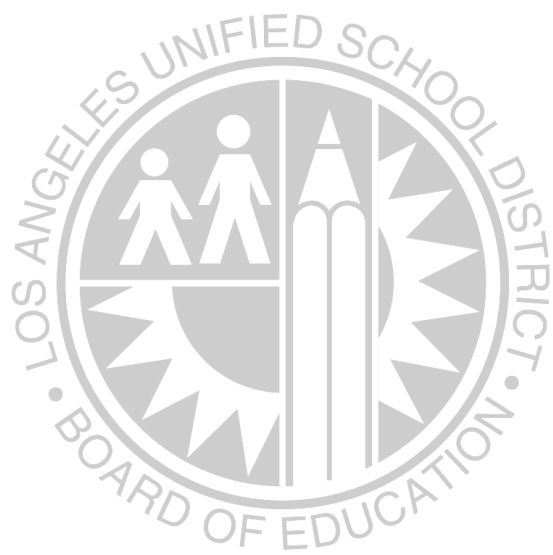
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# INTRODUCTORY SECTION





**DR. RICHARD A. VLADOVIC, PRESIDENT**  
**MÓNICA GARCÍA**  
**JACKIE GOLDBERG**  
**KELLY GONEZ**  
**DR. GEORGE J. MCKENNA III**  
**NICK MELVOIN**  
**SCOTT M. SCHMERELSON**



**AUSTIN BEUTNER**  
*Superintendent of Schools*

**MEGAN K. REILLY**  
*Deputy Superintendent*

**V. LUIS BUENDIA.**  
*Interim Chief Financial Officer*

**JOY MAYOR**  
*Interim Controller*

December 13, 2019

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, 2019, 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 2018-19 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, 2019, the District operated 445 elementary schools, 81 middle/junior high schools, 94 senior high schools, 54 options schools, 24 multi-level schools, 14 special education schools, 54 magnet schools and 203 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, 2019, the District employed 36,211 certificated, 29,851 classified, and 15,393 unclassified employees. Enrollment as of September 2018 was 486,259 students in K-12 schools, 30,676 students in adult schools and centers, and 12,396 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 UCLA Anderson Forecast, in its third quarterly report of 2019, is not calling for a recession but rather a slow growth over its three-year forecast period. The national forecast in real gross domestic product (GDP) growth is 2.1% in 2019, 1.2% in 2020 and rebounds back to 2.1% in 2021. The report also cited six economic concerns namely trade war with China, the weakening of business investment in equipment and structures, the negatively sloped yield curve, the slowdown in employment growth, the inability of housing activity to launch, and the stagnant stock market.

For California, the UCLA Anderson Forecast notes that the Golden State continues to outpace the nation in terms of job creation and economic growth because of its productivity gains through employment of labor-augmenting technology. However, the state economy is anticipated to weaken in the late 2020 due to the slowing U.S. and global economy. Real personal income growth is predicted to be 1.3%, 1.7%, and 1.9% in 2019, 2020, and 2021, respectively. The California forecast for employment growth is 0.8% in 2019, 1.7% in 2020, and 1.2% in 2021. On the other hand, unemployment rate for California is expected to average at 4.6% for the entire years of 2020 and 2021. As of October 2019, preliminary data from Bureau of Labor Statistics shows unemployment rate is 3.6% for the nation and 3.9% for California.

The Legislative Analyst Office’s (LAO) Fiscal Outlook for the 2020-21 Budget estimates the Proposition 98 minimum guarantee at \$84.3 billion, an increase of \$3.4 billion over the revised 2019-20 level. Proposition 98 is the measure passed by California voters in 1988 that establishes a minimum funding requirement for the K-14 education commonly referred to as the minimum guarantee. It is also estimated that the State will have \$2.1 billion available for new commitments or programs in 2020-21 after using \$1.1 billion to fund a 1.79% statutory cost-of-living adjustment (COLA) and changes in student attendance, and the required deposit of \$350 million into the Proposition 98 Reserve. One part of the fiscal outlook report further explains how the minimum guarantee could change through 2023-24 under two possible economic scenarios. Under the growth scenario, the minimum guarantee increases gradually to \$93.9 billion in 2023-24 from \$80.9 billion in 2019-20, an average annual increase of \$3.3 billion or 3.8 percent over this period. Under the recession scenario, the minimum guarantee is slowing down and estimated at \$88.4 billion in 2023-24. The guarantee is projected to drop below the level in the growth scenario by \$7.3 billion in 2021-22, \$9 billion in 2022-23, and \$5.4 billion in 2023-24. Furthermore, the report points out that the State not only would be unable to fund COLA in 2021-22 and 2022-23 but would also need to reduce spending assuming it funds at the lower minimum guarantee.

## **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 2018-19, the Statement of Changes in Net Position shows that the District's Net Position increased by \$3.5 billion during the year. The Unrestricted Net Position, which is negative, improved from -\$19.5 billion to -\$16.0 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 noted increase in the District's Net Position is primarily attributable to a change in the District's implementation of a more cost-effective health care plan resulting in a significant reduction in its Net OPEB liability. In contrast, the net pension liability continues to increase as the District's proportionate share of the unfunded liability rises.

In 2018-19, the fund balance of the General Fund increased by \$0.2 billion from \$2.0 billion to \$2.2 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 8 programs audited received an Unmodified audit. The District also received an Unmodified state compliance audit.

There were 12 audit findings in 2018-19 as there were in 2017-18. The amount of questioned costs increased from \$63,132 to \$616,263. Despite the increase in audit questioned cost, primarily due to an increase in sample size, the District continues to remain fully committed to strong compliance with Federal and State guidelines, as evidenced by a relatively stable number of audit findings. 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 for their cooperation in providing requested audit information and their assistance in resolving potential audit findings, and acknowledge the effort of our independent auditors.

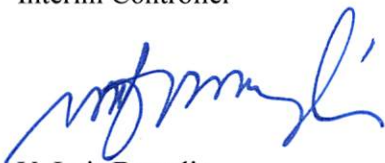
Respectfully submitted,

Austin Beutner  
Superintendent of Schools

Prepared by:



Joy Mayor  
Interim Controller



V. Luis Buendia  
Interim Chief Financial Officer

## BOARD OF EDUCATION

Dr. Richard A. Vladovic, President  
Board District 7

Dr. George J. McKenna III  
Board District 1

Nick Melvoin  
Board District 4

Mónica García  
Board District 2

Jackie Goldberg  
Board District 5

Scott Schmerelson  
Board District 3

Kelly Gonez  
Board District 6

## PRINCIPAL SCHOOL DISTRICT OFFICIALS

Austin Beutner  
Superintendent of Schools

Megan K. Reilly  
Deputy Superintendent, Business Services & Operations  
(Effective July 8, 2019)

V. Luis Buendia  
Interim Chief Financial Officer  
(Effective September 3, 2019)

Dr. Scott S. Price  
Chief Financial Officer  
(July 3, 2017 – August 31, 2019)

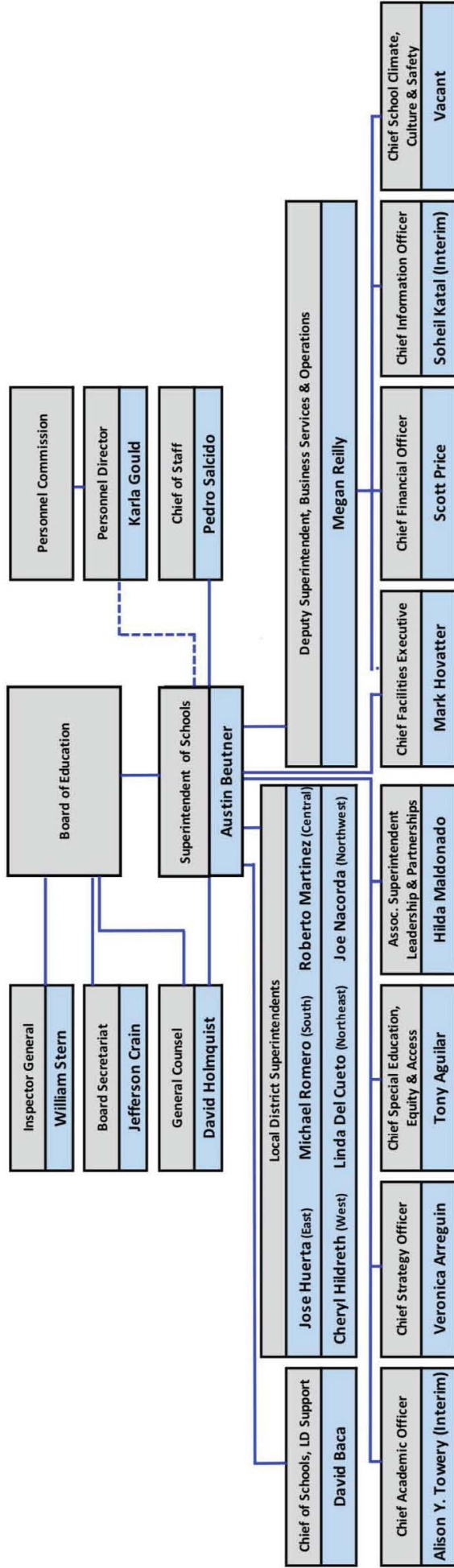
Joy Mayor  
Interim Controller  
(Effective October 16, 2019)

## LOCAL DISTRICT OFFICIALS

	<b>Local District Superintendent</b>	<b>Administrator of Instruction</b>	<b>Administrator of Operations</b>	<b>Administrator of Parent &amp; Community Engagement</b>	<b>Administrator of Special Education</b>
<b>Northeast:</b>	Linda Del Cueto	Sandra Gephart Fontana	Andres E. Chait	Patrizia Puccio	Alesha Haase
<b>Northwest:</b>	Joseph Nacorda	Margaret Kim	Debra Bryant	Gonsalo Garay	Lisa Kendrick
<b>South:</b>	Michael Romero	Pedro Garcia John Vladovic	Peter Hastings	Deborah Siriwardene	Jennifer McConn
<b>East:</b>	Jose Huerta	Frances Baez	Sergio Franco	Elsa Tinoco Enciso	Janet Montoya
<b>West:</b>	Cheryl P. Hildreth	Salvador Rodriguez (Interim)	Ra'Daniel McCoy	Traci Calhoun	Annmarie Serrano
<b>Central:</b>	Roberto A. Martinez	Jared Du Pree	Eugene Hernandez	Theresa Arreguin	Yolanda Bueno

# LOS ANGELES UNIFIED SCHOOL DISTRICT

## Organization Chart 2019-2020



As of August 26, 2019



# FINANCIAL SECTION





SIMPSON & SIMPSON  
CERTIFIED PUBLIC ACCOUNTANTS

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

U.S. BANK TOWER  
633 WEST 5TH STREET, SUITE 3320  
LOS ANGELES, CA 90071  
(213) 736-6664 TELEPHONE  
(213) 736-6692 FAX  
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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, 2019, 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. 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, 2019, 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 to 13 and the required supplementary information on pages 75 to 79 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 80 to 109, 117 to 124, and 130, and the schedule of expenditures of federal awards and related notes on pages 131-134, 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 111 to 116 and 125 to 129 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 13, 2019, 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 solely 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 &amp; Simpson". The signature is written in a cursive, flowing style.

Los Angeles, California  
December 13, 2019

# LOS ANGELES UNIFIED SCHOOL DISTRICT

## Management's Discussion and Analysis

June 30, 2019

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, 2019.

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-iv 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 \$10.3 billion (net position). This amount includes \$16.0 billion deficit in unrestricted net position resulting primarily from the net pension liability for various retirement plans totaling \$7.0 billion and the net other postemployment benefits (OPEB) liability totaling \$11.2 billion.
- The District's total net position increased by \$3.5 billion from the prior year primarily due to decrease in the net OPEB liability by \$3.8 billion. The decrease was primarily due to the District's implementation of a more cost-effective health care plan.
- The District's total long-term liabilities decreased by \$0.5 billion (4.3%) during the current fiscal year. The decrease resulted primarily from debt service payments of the General Obligation bonds and Certificates of Participation (COPs).
- As of the close of the 2019 fiscal year, the District's governmental funds reported combined ending fund balances of \$4.6 billion, a decrease of \$0.5 billion from the fiscal year ended June 30, 2018.
- At the end of the current fiscal year, assigned and unassigned fund balances for the General Fund, including reserve for economic uncertainties, was \$1.9 billion, or 25.2% 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, 2019

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, 2019

**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 26-73 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 80-109 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 \$10.3 billion at the close of the most recent year.

The District's net position reflects its investments in capital assets (\$4.4 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 (\$1.3 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 and Bond Interest and Redemption Fund. The remaining negative balance in unrestricted net position (-\$16.0 billion) resulted primarily from the net pension liability for various retirement plans totaling \$7.0 billion and the net OPEB liability totaling \$11.2 billion.

At the end of the 2019 fiscal year, the District is able to report positive balances in all categories of net position except for unrestricted net position.

The \$0.1 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 decreased by \$0.5 billion primarily due to a decrease in certificate of participations and general obligation bonds payable as a result of debt service payments and debt refunding to avail of lower interest rates.

**LOS ANGELES UNIFIED SCHOOL DISTRICT**

Management's Discussion and Analysis

June 30, 2019

**Summary Statements of Net Position (in thousands)**

As of June 30, 2019 and 2018:

	<b>Governmental Activities</b>	
	<b>2019</b>	<b>2018</b>
Current Assets	\$ 6,614,272	\$ 7,026,809
Capital Assets, net	14,521,361	14,385,240
Total Assets	<u>21,135,633</u>	<u>21,412,049</u>
Deferred Outflows of Resources	2,878,171	3,362,207
Current Liabilities	1,067,507	1,058,131
Long-term Liabilities	11,805,604	12,333,350
Net Pension Liability	6,996,258	6,971,551
Net Other Postemployment Benefits Liability	11,180,799	14,968,510
Total Liabilities	<u>31,050,168</u>	<u>35,331,542</u>
Deferred Inflows of Resources	3,296,938	3,311,115
Net Position:		
Net investment in capital assets	4,442,209	4,349,896
Restricted for:		
Debt service	720,972	708,857
Program activities	548,143	629,085
Unrestricted	(16,044,626)	(19,556,239)
Total Net Position	<u>\$ (10,333,302)</u>	<u>\$ (13,868,401)</u>

**LOS ANGELES UNIFIED SCHOOL DISTRICT**

Management's Discussion and Analysis

June 30, 2019

**Summary Statements of Changes in Net Position (in thousands)**

Year ended June 30, 2019 and 2018:

	<b>Governmental Activities</b>	
	<b>2019</b>	<b>2018</b>
	<u>          </u>	<u>          </u>
Revenues:		
Program Revenues:		
Charges for services	\$ 170,963	\$ 185,195
Operating grants and contributions	2,024,728	1,854,599
Capital grants and contributions	59,665	123,916
Total Program Revenues	<u>2,255,356</u>	<u>2,163,710</u>
General Revenues:		
Property taxes levied for general purposes	1,636,956	1,532,320
Property taxes levied for debt service	880,988	813,562
Property taxes levied for community redevelopment	36,856	31,330
State aid not restricted to specific purpose	4,020,702	3,911,190
Grants, entitlements, and contributions not restricted to specific programs	241,481	213,169
Unrestricted investment earnings	43,501	35,318
Miscellaneous	88,938	138,658
Total General Revenues	<u>6,949,422</u>	<u>6,675,547</u>
Total Revenues	<u>9,204,778</u>	<u>8,839,257</u>
Expenses:		
Instruction	2,470,641	4,579,527
Support Services:		
Support services – students	244,374	461,769
Support services – instructional staff	351,137	584,654
Support services – general administration	63,613	69,037
Support services – school administration	258,220	512,127
Support services – business	154,490	226,862
Operation and maintenance of plant services	455,189	780,229
Student transportation services	120,340	186,567
Data processing services	33,604	59,161
Operation of noninstructional services	327,121	528,292
Facilities acquisition and construction services	109,706	183,869
Other uses	4,916	5,224
Interest expense	420,863	405,430
Depreciation – unallocated	655,465	622,106
Total Expenses	<u>5,669,679</u>	<u>9,204,854</u>
Changes in Net Position	3,535,099	(365,597)
Net Position – Beginning of Year	<u>(13,868,401)</u>	<u>(13,502,804)</u>
Net Position – End of Year	<u>\$ (10,333,302)</u>	<u>\$ (13,868,401)</u>

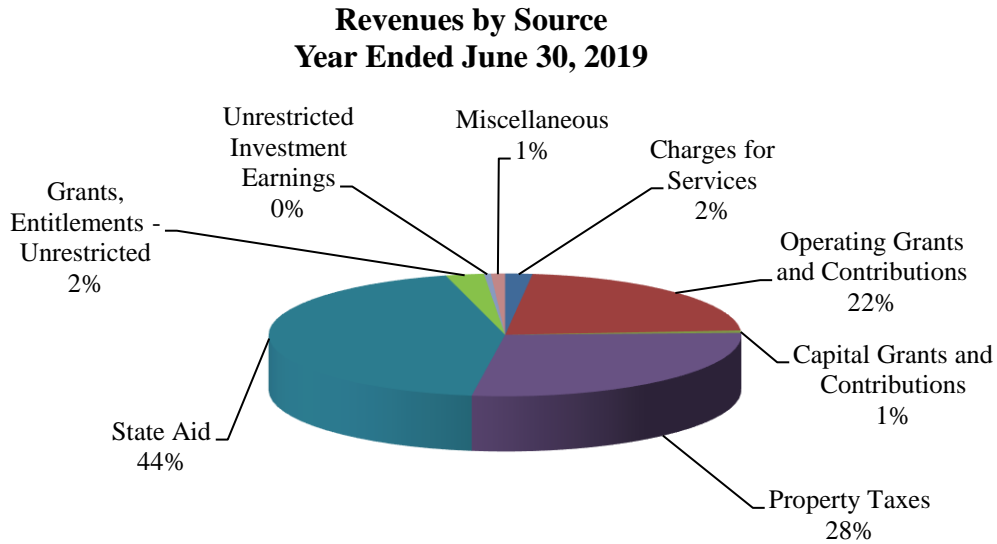
# LOS ANGELES UNIFIED SCHOOL DISTRICT

## Management's Discussion and Analysis

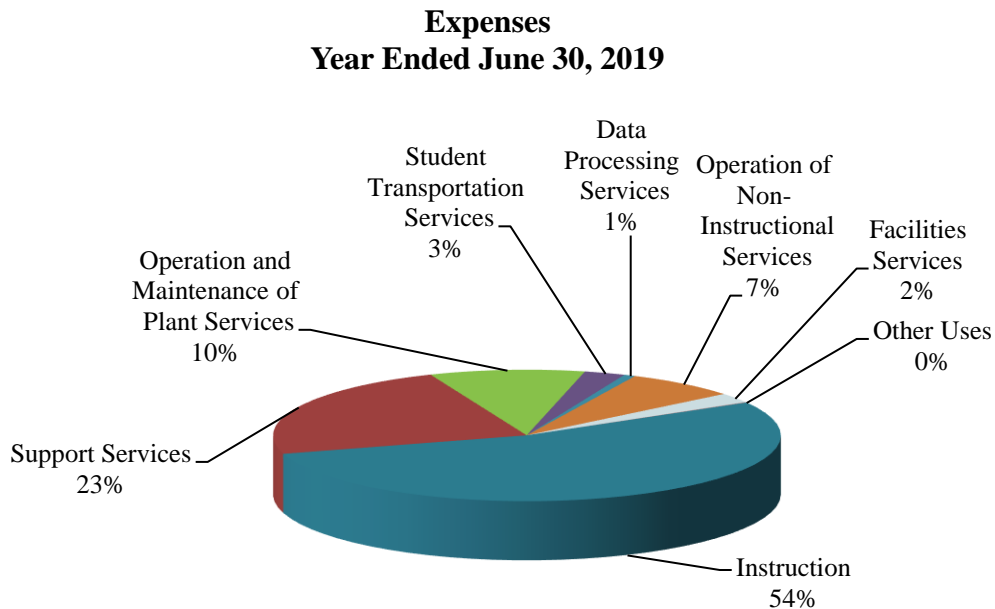
June 30, 2019

The District's net position increased by \$3.5 billion from the prior year. This is primarily due to the District's implementation of a more cost-effective health care plan. This resulted in a decrease of \$3.8 billion in the District's net OPEB liability.

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, 2019

### 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 \$4.6 billion, a decrease of \$0.5 billion in comparison with the prior year. Approximately 74.9% of this total combined ending fund balance consists of the assigned fund balance totaling \$1.1 billion (23.7%) and nonspendable and restricted fund balances totaling \$2.4 billion (51.2%), which can only be spent for specific purposes because of laws and regulations or grantor restrictions. The remaining \$1.2 billion (25.1%) of this total combined ending fund balance constitutes committed fund balance totaling \$0.2 billion (3.8%), which represents commitment for ongoing salary increases of District employees, and unassigned fund balance totaling \$1.0 billion (21.3%), 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 2019 fiscal year, the unassigned fund balance of the General Fund was \$1.0 billion, while the total fund balance is \$2.2 billion. The fund balance of the District's General Fund increased by \$0.2 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, 2019:						
Nonspendable						
Revolving cash and imprest funds	\$ 642	\$ —	\$ 16	\$ —	\$ —	\$ 16
Inventories	—	—	9,065	—	—	9,065
Prepays	—	—	45	—	—	45
Restricted	916,651	849,158	106,191	33,980	306,708	446,879
Assigned	—	—	7,961	—	169,877	177,838
Total	917,293	849,158	123,278	33,980	476,585	633,843
Fund Balance, July 1, 2018	1,477,680	810,110	103,104	41,031	638,663	782,798
Increase (decrease) in fund balance	\$ (560,387)	\$ 39,048	\$ 20,174	\$ (7,051)	\$ (162,078)	\$ (148,955)

The fund balance decreased during the current year for the District Bonds due to continued spending for school construction, modernization projects, and renovation. The increase of \$39.0 million in Bond Interest and Redemption was attributable to the increase in property tax levy for local bond debt service. Special Revenue also increased primarily due to increase in revenue in the Cafeteria Fund.

# LOS ANGELES UNIFIED SCHOOL DISTRICT

## Management's Discussion and Analysis

June 30, 2019

The decrease of \$0.2 billion for the Capital Projects due to spending on projects primarily in the County School Facilities Bonds combined with project cost transfers to other capital project accounts. Debt Service decreased slightly due to the release of a debt service reserve fund.

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

At the end of the year, the District's proprietary funds have an unrestricted net position of \$0.4 billion. The net increase of \$89.3 million in the current year is primarily attributed to a net operating margin in the Workers' Compensation Self-Insurance Fund and Health and Welfare Benefits Fund. The net increase was mainly due to higher interest income and higher contributions to the fund offset by lower expenditures as a result of the District's implementation of a more cost-effective health care plan.

### **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, which was approved as a revised budget by the Board of Education on October 2, 2018 and by the Los Angeles County of Education on November 8, 2018, is based on assumptions from the State's Enacted 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 since the Original Final Budget. Differences between the 2018-19 General Fund Original Final Budget and the Modified Final Budget, resulted in a lower budgeted ending balance by \$0.1 billion, from \$1.9 billion to \$1.8 billion. Adjustments to the Original Final Budget were an increase in beginning balance by \$11.8 million, an increase in budgeted revenues and financing sources by \$0.4 billion, and an increase in budgeted expenditures and other financing uses by \$0.6 billion.

The increase in beginning balance by \$11.8 million was due to the reflection of an audit adjustment. The net increase in budgeted revenues and other financing sources of \$0.4 billion was mostly due to a higher grant recognition of \$0.1 billion, increase in State's on-behalf contribution to California State Teachers' Retirement System (CalSTRS) of \$0.2 billion, and proceeds from legal settlement of \$34.0 million.

The change in estimated expenditures and other financing uses of \$0.6 billion was mostly attributable to budget changes to fund salary increases due to collective bargaining agreements of \$0.3 billion, to increase grant expenditure authority by \$0.1 billion and State's on-behalf contribution to California State Teachers' Retirement System (CalSTRS) by \$0.2 billion due to a higher revenue.

#### *Actual vs. Modified Final Budget*

The beginning balance remained the same on both the Actual and the Modified Final Budget. The unfavorable variance of \$57.9 million in revenues and other financing sources between the Actual and Modified Final Budget was mostly due to adjustments of \$0.1 billion on multi-year grants which are budgeted in their entirety but earned only to the extent of actual expenditures incurred. The lower recognition of grant amounts are offset by increased Local Control Funding Formula (LCFF) revenue of \$17.4 million resulting from adjustments in the prior year

**LOS ANGELES UNIFIED SCHOOL DISTRICT**

Management’s Discussion and Analysis

June 30, 2019

funded Average Daily Attendance (ADA), higher Other State Revenue of \$15.0 million mostly from State Lottery and Special Education apportionment attributable to changes in funded Average Daily Attendance (ADA) and allocation rates, improved interest income of \$8.7 million brought about by higher interest rate and cash balance, and the recognition of eminent domain settlement amount received from Los Angeles World Airport Agency (LAWA) of \$30.5 million. The favorable variance of \$0.5 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 decreases in expenditures were mainly in Books and Supplies (\$0.2 billion), Certificated Salaries (\$0.1 billion), and Services and Other Operating Expenditures (\$0.1 billion).

Differences between the Actual and Modified Final Budget resulted in a higher ending balance by \$0.5 billion, from \$1.7 billion to \$2.2 billion.

**Capital Assets and Debt Administration**

**Capital assets.** The District’s investment in capital assets for its governmental activities as of June 30, 2019 amounts to \$14.5 billion (net of accumulated depreciation), 0.9% 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 Americans with Disabilities Act (ADA) improvement, 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):

	<b>Governmental Activities</b>	
	<b>2019</b>	<b>2018</b>
Sites	\$ 3,099,629	\$ 3,098,633
Improvement of sites	239,385	209,103
Buildings and improvements	9,576,623	9,847,457
Equipment	314,114	424,898
Construction in progress	1,291,610	805,149
Total	<u>\$ 14,521,361</u>	<u>\$ 14,385,240</u>

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

**Long-term obligations.** At the end of the current fiscal year, the District had total long-term obligations of \$30.0 billion. Of this amount, \$10.9 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, 2019

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

	Governmental Activities	
	2019	2018
General Obligation Bonds	\$ 10,891,318	\$ 11,390,146
Certificates of Participation (COPs)	185,554	202,192
Capital Lease Obligations	499	676
Children's Center Facilities Revolving Loan	159	238
Liability for Compensated Absences	77,117	64,983
Liability for Other Employee Benefits	45,660	52,547
Self-insurance Claims	603,002	621,148
Net Pension Liability	6,996,258	6,971,551
OPEB	11,180,799	14,968,510
Arbitrage Payable	2,295	1,420
Total	\$ 29,982,661	\$ 34,273,411

The District's total long-term obligations decreased by \$4.3 billion (12.5%) during the current fiscal year. The decrease was primarily due to the District's implementation of a more cost-effective health care plan. In addition, certificate of participations and general obligation bonds payable decreased as a result of debt service payments and debt refunding to avail of lower interest rates.

### Long-Term Credit Ratings

Below are the District's long-term credit ratings as of June 30, 2019 from rating agencies that carry ratings on all or some of the District's outstanding GO bonds and COPs issued:

1. Moody's Investors Service (Moody's) rated the District's GO bonds and COPs as "Aa3" and "A2", respectively, with a Stable Outlook.
2. Fitch Ratings (Fitch) rated the District's GO bonds as "AAA" with a Stable Outlook. Fitch also provided an Indicative Default Rating of "A" with a Negative Outlook.
3. Standard & Poor's (S&P) rated the District's GO bonds and COPs as "A+" and "A", respectively, with a Negative Outlook.
4. Kroll Bond Rating Agency (Kroll) rated the District's GO bonds as "AA+" with a Stable Outlook.

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

State statutes limit the issuance of general obligation bond debt by a unified school district if the outstanding general obligation bonds are more than 2.5% of its total taxable property. The debt limitation for the District as of June 30, 2019 is \$17.3 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 65-69 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, 2019  
(in thousands)

	<u><b>Governmental Activities</b></u>
<b>Assets:</b>	
Cash in county treasury, in banks, and on hand	\$ 5,939,842
Cash held by trustee	59,114
Property taxes receivable	76,398
Accounts receivable, net	413,397
Accrued interest receivable	27,462
Prepays	55,012
Inventories	29,502
Accounts receivable, non current	8,500
Other assets	5,045
<b>Capital assets:</b>	
Sites	3,099,629
Improvement of sites	701,353
Buildings and improvements	16,156,932
Equipment	2,248,496
Construction in progress	1,291,610
Less accumulated depreciation	(8,976,659)
Total Capital Assets, Net of Depreciation	<u>14,521,361</u>
Total Assets	<u>21,135,633</u>
Deferred Outflows of Resources	<u>2,878,171</u>
<b>Liabilities:</b>	
Vouchers and accounts payable	231,259
Contracts payable	109,648
Accrued payroll	254,106
Accrued interest	246,493
Other payables	194,767
Unearned revenue	31,234
<b>Long-term liabilities:</b>	
Portion due within one year	770,081
Portion due after one year	11,035,523
Net pension liability	6,996,258
Net other postemployment benefits liability	<u>11,180,799</u>
Total Liabilities	<u>31,050,168</u>
Deferred Inflows of Resources	<u>3,296,938</u>
<b>Net Position:</b>	
Net investment in capital assets	4,442,209
Restricted for:	
Debt service	720,972
Program activities	548,143
Unrestricted	<u>(16,044,626)</u>
Total Net Position	<u><u>\$ (10,333,302)</u></u>

See accompanying notes to basic financial statements.

LOS ANGELES UNIFIED SCHOOL DISTRICT  
Statement of Activities  
Year Ended June 30, 2019  
(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	\$ 2,470,641	\$ 27,442	\$ 933,363	\$ —	\$ (1,509,836)
Support services – students	244,374	1,799	164,215	—	(78,360)
Support services – instructional staff	351,137	354	217,179	—	(133,604)
Support services – general administration	63,613	—	148	—	(63,465)
Support services – school administration	258,220	—	79,367	—	(178,853)
Support services – business	154,490	8,659	82,161	—	(63,670)
Operation and maintenance of plant services	455,189	40,152	35,723	—	(379,314)
Student transportation services	120,340	—	—	—	(120,340)
Data processing services	33,604	—	90	—	(33,514)
Operation of non-instructional services	327,121	9,442	465,017	—	147,338
Facilities acquisition and construction services*	109,706	83,115	45,795	8,274	27,478
Other Uses	4,916	—	48	—	(4,868)
Interest expense	420,863	—	1,622	51,391	(367,850)
Depreciation – unallocated**	655,465	—	—	—	(655,465)
<b>Total Governmental Activities</b>	<b>\$ 5,669,679</b>	<b>\$ 170,963</b>	<b>\$ 2,024,728</b>	<b>\$ 59,665</b>	<b>(3,414,323)</b>
General revenues:					
Taxes:					
Property taxes, levied for general purposes					1,636,956
Property taxes, levied for debt service					880,988
Property taxes, levied for community redevelopment					36,856
State aid not restricted to specific purpose					4,020,702
Grants, entitlements, and contributions not restricted to specific programs					241,481
Unrestricted investment earnings					43,501
Miscellaneous					88,938
<b>Total General Revenues</b>					<b>6,949,422</b>
<b>Change in Net Position</b>					<b>3,535,099</b>
<b>Net Position – Beginning of Year</b>					<b>(13,868,401)</b>
<b>Net Position – End of Year</b>					<b>\$ (10,333,302)</b>

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

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

See accompanying notes to basic financial statements.

LOS ANGELES UNIFIED SCHOOL DISTRICT

Balance Sheet  
Governmental Funds  
June 30, 2019  
(in thousands)

	<u>General</u>	<u>District Bonds</u>	<u>Bond Interest and Redemption</u>	<u>Other Governmental</u>	<u>Total Governmental</u>
<b>Assets:</b>					
Cash in county treasury, in banks, and on hand	\$ 2,511,407	\$ 1,036,550	\$ 829,757	\$ 538,030	\$ 4,915,744
Cash held by trustee	—	—	27,330	31,784	59,114
Taxes receivable	—	—	76,398	—	76,398
Accounts receivable – net	285,775	—	—	94,081	379,856
Accrued interest receivable	12,349	6,155	—	3,274	21,778
Due from other funds	700	—	—	—	700
Prepays	4,210	—	—	45	4,255
Inventories	20,437	—	—	9,065	29,502
<b>Total Assets</b>	<b>2,834,878</b>	<b>1,042,705</b>	<b>933,485</b>	<b>676,279</b>	<b>5,487,347</b>
Deferred Outflows of Resources	—	—	—	—	—
<b>Total Assets and Deferred Outflows of Resources</b>	<b>\$ 2,834,878</b>	<b>\$ 1,042,705</b>	<b>\$ 933,485</b>	<b>\$ 676,279</b>	<b>\$ 5,487,347</b>
<b>Liabilities and Fund Balances:</b>					
Vouchers and accounts payable	\$ 183,366	\$ 32,766	\$ —	\$ 9,762	\$ 225,894
Contracts payable	14,629	83,309	—	11,710	109,648
Accrued payroll	241,242	5,722	—	10,630	257,594
Other payables	148,367	3,615	—	8,824	160,806
Due to other funds	—	—	—	700	700
Unearned revenue	30,424	—	—	810	31,234
<b>Total Liabilities</b>	<b>618,028</b>	<b>125,412</b>	<b>—</b>	<b>42,436</b>	<b>785,876</b>
Deferred Inflows of Resources:					
Property taxes	—	—	76,398	—	76,398
Build America Bond Subsidy	—	—	7,929	—	7,929
<b>Total Deferred Inflows of Resources</b>	<b>—</b>	<b>—</b>	<b>84,327</b>	<b>—</b>	<b>84,327</b>
<b>Fund Balances:</b>					
Nonspendable	27,324	642	—	9,126	37,092
Restricted	114,558	916,651	849,158	—	1,880,367
Restricted, reported in:					
Special revenue funds	—	—	—	106,191	106,191
Debt service funds	—	—	—	33,980	33,980
Capital projects funds	—	—	—	306,708	306,708
Committed	174,590	—	—	—	174,590
Assigned	916,143	—	—	—	916,143
Assigned, reported in:					
Special revenue funds	—	—	—	7,961	7,961
Capital projects funds	—	—	—	169,877	169,877
Unassigned:					
Reserved for economic uncertainties	75,618	—	—	—	75,618
Unassigned	908,617	—	—	—	908,617
<b>Total Fund Balances</b>	<b>2,216,850</b>	<b>917,293</b>	<b>849,158</b>	<b>633,843</b>	<b>4,617,144</b>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances</b>	<b>\$ 2,834,878</b>	<b>\$ 1,042,705</b>	<b>\$ 933,485</b>	<b>\$ 676,279</b>	<b>\$ 5,487,347</b>

See accompanying notes to basic financial statements.

LOS ANGELES UNIFIED SCHOOL DISTRICT  
 Reconciliation of the Governmental Funds Balance Sheet  
 to the Statement of Net Position  
 June 30, 2019  
 (in thousands)

Total Fund Balances – Governmental Funds	\$ 4,617,144
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 \$23,498,020 and the accumulated depreciation is \$8,976,659.	14,521,361
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.	76,398
Federal subsidies for debt service expenditures are recognized in the governmental funds only when the corresponding interest expenditure is recognized.	7,929
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.	12,765
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.	438,729
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.	(11,444,704)
Deferred outflow/inflow of resources – refunding charges are not reported in the governmental funds.	82,169
Proportionate share of net pension liability and related deferred inflow/outflow of resources are not reported in the governmental funds.	(5,755,294)
Net other postemployment benefits liability and related deferred inflow/outflow of resources are not reported in the governmental funds.	(12,889,799)
Total Net Position – Governmental Activities	<u>\$ (10,333,302)</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, 2019  
(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	\$ 5,657,590	\$ —	\$ —	\$ —	\$ 5,657,590
Federal revenues	636,494	—	69,032	389,325	1,094,851
Other state revenues	1,220,503	—	3,447	275,321	1,499,271
Other local revenues	218,023	29,095	893,545	162,128	1,302,791
Total Revenues	<u>7,732,610</u>	<u>29,095</u>	<u>966,024</u>	<u>826,774</u>	<u>9,554,503</u>
Expenditures:					
Current:					
Certificated salaries	2,980,327	—	—	104,491	3,084,818
Classified salaries	1,046,667	57,273	—	174,094	1,278,034
Employee benefits	2,266,260	26,880	—	194,739	2,487,879
Books and supplies	341,117	2,638	—	164,670	508,425
Services and other operating expenditures	857,099	39,517	—	16,894	913,510
Capital outlay	75,547	577,374	—	167,948	820,869
Debt service – principal	396	—	404,675	15,509	420,580
Debt service – bond issuance cost	—	—	1,303	—	1,303
Debt service – bond, COPs, and capital leases interest	28	—	522,301	9,079	531,408
Other outgo	4,868	—	—	48	4,916
Transfers of indirect costs – interfund	(30,073)	—	—	30,073	—
Total Expenditures	<u>7,542,236</u>	<u>703,682</u>	<u>928,279</u>	<u>877,545</u>	<u>10,051,742</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>190,374</u>	<u>(674,587)</u>	<u>37,745</u>	<u>(50,771)</u>	<u>(497,239)</u>
Other Financing Sources (Uses):					
Transfers in	25,379	249,450	—	43,268	318,097
Transfers out	(40,397)	(135,250)	—	(142,450)	(318,097)
Issuance of refunding bonds	—	—	594,605	—	594,605
Payment to refunded bond escrow agent	—	—	(703,627)	—	(703,627)
Premium on refunding bonds issued	—	—	110,325	—	110,325
Capital leases	219	—	—	—	219
Proceeds from sale of capital assets	30,502	—	—	998	31,500
Total Other Financing Sources (Uses)	<u>15,703</u>	<u>114,200</u>	<u>1,303</u>	<u>(98,184)</u>	<u>33,022</u>
Net Changes in Fund Balances	206,077	(560,387)	39,048	(148,955)	(464,217)
Fund Balances, July 1, 2018	<u>2,010,773</u>	<u>1,477,680</u>	<u>810,110</u>	<u>782,798</u>	<u>5,081,361</u>
Fund Balances, June 30, 2019	<u>\$ 2,216,850</u>	<u>\$ 917,293</u>	<u>\$ 849,158</u>	<u>\$ 633,843</u>	<u>\$ 4,617,144</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, 2019  
(in thousands)

Net Changes in Fund Balances – Governmental Funds	\$ (464,217)
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.	136,121
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.	(219)
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.	529,602
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.	1,550
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.	(6,987)
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).	(5,648)
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.	849
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.	(875)
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.	89,319
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.	(4,294)
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.	(26,657)
Adoption of GASB 68 recognizes actuarial pension expense in the government wide statements and reclassify actual pension contribution in the current year as deferred outflow of resources.	(160,598)
Adoption of GASB 75 recognizes actuarial OPEB expense in the government wide statements and reclassify actual pension contribution in the current year as deferred outflow of resources.	3,447,153
Change in Net Position of Governmental Activities	\$ 3,535,099

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, 2019  
(in thousands)

	Budget		Actual	Variance with Final Budget – Favorable (Unfavorable)
	Original	Final		
<b>Revenues:</b>				
Local Control Funding Formula sources	\$ 5,665,856	\$ 5,640,147	\$ 5,657,590	\$ 17,443
Federal revenues	632,364	769,958	636,494	(133,464)
Other state revenues	962,556	1,205,517	1,220,503	14,986
Other local revenues	144,658	199,439	218,023	18,584
Total Revenues	<u>7,405,434</u>	<u>7,815,061</u>	<u>7,732,610</u>	<u>(82,451)</u>
<b>Expenditures:</b>				
<b>Current:</b>				
Certificated salaries	2,894,124	3,101,974	2,980,327	121,647
Classified salaries	1,007,119	1,046,756	1,046,667	89
Employee benefits	2,090,334	2,322,944	2,266,260	56,684
Books and supplies	576,484	572,289	341,117	231,172
Services and other operating expenditures	858,875	968,549	857,099	111,450
Capital outlay	87,491	88,632	75,547	13,085
Debt service – principal	429	1,266	396	870
Debt service – bond, COPs, and capital leases interest	50	50	28	22
Other outgo	7,663	7,663	4,868	2,795
Transfers of indirect costs – interfund	(32,721)	(31,106)	(30,073)	(1,033)
Total Expenditures	<u>7,489,848</u>	<u>8,079,017</u>	<u>7,542,236</u>	<u>536,781</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(84,414)</u>	<u>(263,956)</u>	<u>190,374</u>	<u>454,330</u>
<b>Other Financing Sources (Uses):</b>				
Transfers in	20,000	31,225	25,379	(5,846)
Transfers out	(61,915)	(49,039)	(40,397)	8,642
Insurance proceeds – landslide and fire damage	300	300	—	(300)
Capital leases	—	—	219	219
Proceeds from sale of capital assets	—	—	30,502	30,502
Total Other Financing Sources (Uses)	<u>(41,615)</u>	<u>(17,514)</u>	<u>15,703</u>	<u>33,217</u>
Net Changes in Fund Balances	<u>(126,029)</u>	<u>(281,470)</u>	<u>206,077</u>	<u>487,547</u>
Fund Balances, July 1, 2018	<u>1,999,017</u>	<u>2,010,773</u>	<u>2,010,773</u>	<u>—</u>
Fund Balances, June 30, 2019	<u>\$ 1,872,988</u>	<u>\$ 1,729,303</u>	<u>\$ 2,216,850</u>	<u>\$ 487,547</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, 2019  
(in thousands)

Assets:	
Cash in county treasury, in banks, and on hand	\$ 1,024,098
Accounts receivable – net	29,277
Accrued interest and dividends receivable	5,684
Prepays	50,757
Other assets	5,045
Total Assets	1,114,861
Deferred Outflows of Resources	5,357
Liabilities:	
Current:	
Vouchers and accounts payable	5,366
Accrued payroll	903
Other payables	33,961
Estimated liability for self-insurance claims	199,166
Total Current Liabilities	239,396
Noncurrent:	
Estimated liability for self-insurance claims	403,836
Net other postemployment benefits liability	19,525
Net pension liability	13,780
Total Noncurrent Liabilities	437,141
Total Liabilities	676,537
Deferred Inflows of Resources	4,952
Total Net Position – Unrestricted	\$ 438,729

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, 2019  
(in thousands)

Operating Revenues:	
In-District premiums	\$ 1,284,051
Others	8,441
Total Operating Revenues	1,292,492
Operating Expenses:	
Certificated salaries	238
Classified salaries	7,526
Employee benefits *	(244)
Supplies	246
Premiums and claims expenses	1,196,699
Claims administration	18,015
Other contracted services	1,902
Total Operating Expenses	1,224,382
Operating Income	68,110
Nonoperating Revenues (Expenses):	
Investment income	21,256
Miscellaneous expense	(47)
Total Nonoperating Revenues	21,209
Changes in Net Position	89,319
Total Net Position, July 1, 2018	349,410
Total Net Position, June 30, 2019	\$ 438,729

\* The District's implementation of a more cost-effective health care plan decreased the net OPEB liability that has an outright impact of reducing the current OPEB expense by \$5.7 million.

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, 2019  
(in thousands)

Cash Flows from Operating Activities:	
Cash payments to employees for services	\$ (11,692)
Cash payments for goods and services	(1,246,762)
Receipts from assessment to other funds	1,284,051
Receipts from other operating revenue	8,441
Net Cash Provided by Operating Activities	<u>34,038</u>
Cash Flows from Investing Activities:	
Earnings on investments	<u>21,213</u>
Net Cash Provided by Investing Activities	<u>21,213</u>
Net Increase in Cash and Cash Equivalents	55,251
Cash and Cash Equivalents, July 1	<u>968,847</u>
Cash and Cash Equivalents, June 30	<u><u>\$ 1,024,098</u></u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:	
Operating Income	<u>\$ 68,110</u>
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Net decrease in pension and other postemployment benefits expense from actuarial valuation	(4,292)
Change in Assets: Decrease (Increase)	
Accounts receivable	(4,835)
Prepays	(1,337)
Other assets	1,071
Change in Liabilities: Increase (Decrease)	
Vouchers and accounts payable	2
Accrued payroll	121
Other payables	(6,656)
Estimated liability for self-insurance claims – current	(9,043)
Estimated liability for self-insurance claims – noncurrent	(9,103)
Total Adjustments	<u>(34,072)</u>
Net Cash Provided by Operating Activities	<u><u>\$ 34,038</u></u>

See accompanying notes to basic financial statements.

LOS ANGELES UNIFIED SCHOOL DISTRICT  
Statement of Net Position  
Fiduciary Funds  
June 30, 2019  
(in thousands)

	<u>Other Postemployment Benefits (OPEB) Trust Fund</u>	<u>Agency Funds</u>
Assets:		
Cash in county treasury, in banks, and on hand	\$ —	\$ 152,730
Cash held by trustee	411,630	—
Total Assets	<u>\$ 411,630</u>	<u>\$ 152,730</u>
Liabilities:		
Other payables	\$ —	\$ 152,730
Total Liabilities	<u>\$ —</u>	<u>\$ 152,730</u>
Net Position:		
Restricted for other postemployment benefits	<u>\$ 411,630</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, 2019  
(in thousands)

	Other Postemployment Benefits (OPEB) Trust Fund
Additions:	
In-District contributions	\$ —
Other local revenues	24,110
Total Additions	24,110
Deductions:	
Administrative expenses	330
Total Deductions	330
Change in net position	23,780
Total Net Position, July 1, 2018	387,850
Total Net Position, June 30, 2019	\$ 411,630

See accompanying notes to basic financial statements.

# LOS ANGELES UNIFIED SCHOOL DISTRICT

## Notes to Basic Financial Statements

Year Ended June 30, 2019

### (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, 2019

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, 2019

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. Fund Accounting emphasizes accountability rather than profitability. 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 2018-19:

*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, 2019

*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 2018-19.

*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 2018-19.

### **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, 2019

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, 2019

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 payment 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, 2019

**(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, 2019

**(k) *Contracts Payable***

Contracts payable includes only the portion applicable to work completed and unpaid as of June 30, 2019.

**(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, 2019

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 2018-19, the District received \$1.3 billion of local property taxes, \$0.8 billion of EPA, and \$3.6 billion 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. As of 2018-19, the LCFF is funded at target for the District. 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, 2019

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. 83, *Certain Asset Retirement Obligations*, effective for periods beginning after June 15, 2018. This addresses accounting and financial reporting for certain asset retirement obligations (AROs) and establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for AROs. This Statement did not have an impact on the District's financial statements for fiscal year 2018-19.

The GASB has issued Statement No. 88, *Certain Disclosures Related to Debt*, including Direct Borrowings and Direct Placements, effective for periods beginning after June 15, 2018. This Statement improves the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. This Statement did not have an impact on the District's financial statements for fiscal year 2018-19.

**(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 has not issued TRANs since fiscal year 2012-13 due to the State's elimination of its cash 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 \$11,444,704 difference are as follows (in thousands):

**LOS ANGELES UNIFIED SCHOOL DISTRICT**

Notes to Basic Financial Statements

Year Ended June 30, 2019

Bonds payable	\$ (10,891,318)
Certificates of Participation (COPs)	(185,554)
Capital lease obligations	(499)
Children Center Facilities Revolving loan	(159)
Liability for compensated absences	(75,242)
Liability for other employee benefits	(43,144)
Arbitrage payable	(2,295)
Accrued interest	<u>(246,493)</u>
Adjustment to reduce <i>total fund balances – governmental funds</i> to arrive at <i>net position – governmental activities</i>	<u>\$ (11,444,704)</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.” Moreover, in the statement of activities, only the gain on the sale of capital assets is reported. However, in the governmental funds, the proceeds from the sale increase financial resources. Thus, the change in net position differs from the change in fund balance by the cost of the capital asset sold. The details of this \$136,121 difference are as follows (in thousands):

Capital related expenditures	\$ 820,869
Cost of the capital assets sold	(1,398)
Depreciation expense	<u>(683,350)</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>\$ 136,121</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 \$529,602 difference are as follows (in thousands):



**LOS ANGELES UNIFIED SCHOOL DISTRICT**

Notes to Basic Financial Statements

Year Ended June 30, 2019

Debt issued or incurred:	
General Obligation Bonds	\$ (594,605)
Principal repayments:	
General Obligation Bonds	404,675
Certificates of Participation	15,430
Children Center Facilities Loan	79
Capital Leases Obligations	396
Payment to escrow agent for refunding	<u>703,627</u>
Net adjustment to increase net changes in <i>total fund balances – governmental funds</i> to arrive at <i>changes in net position – governmental activities</i>	<u><u>\$ 529,602</u></u>

**(4) Budgetary Appropriation Amendments**

During the fiscal year, modifications were necessary to increase appropriations for expenditures and other financing uses for the General Fund by \$576.3 million.

**(5) Cash and Investments**

Cash and investments as of June 30, 2019 are classified in the accompanying basic financial statements as follows (in thousands):

Statement of net position:	
Cash and investments	\$ 5,939,842
Cash and investments held by trustee	<u>59,114</u>
Subtotal	5,998,956
Fiduciary funds:	
Cash and investments	152,730
Cash and investments held by trustee	<u>411,630</u>
Total cash and investments	<u><u>\$ 6,563,316</u></u>

Cash and investments as of June 30, 2019 consist of the following (in thousands):

Cash on hand (cafeteria change funds)	\$ 25
Deposits with financial institutions and Los Angeles County Pool	<u>6,563,291</u>
Total cash and investments	<u><u>\$ 6,563,316</u></u>

Deposits with financial institutions include cash in the Los Angeles County Pooled Surplus Investment Fund (\$5,939.8 million), cash held by fiscal agents or trustees (\$59.1 million), cash deposited with various other financial institutions for imprest funds of schools and offices (\$152.7 million), and cash deposited with trustee for other postemployment benefits (\$411.6 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, 2019

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, 2019

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, 2019, 51.12% of district funds in the County PSI Fund does not exceed one year. In addition, variable-rate notes that comprised 0.47% 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, 2019, 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, 2019

**(6) Accounts Receivable, net**

Receivables by Fund at June 30, 2019 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	\$ 270,957	\$ 78,738	\$ —	\$ 349,695
Other	14,818	15,343	29,277	59,438
Total Accounts Receivable, Net	<u>\$ 285,775</u>	<u>\$ 94,081</u>	<u>\$ 29,277</u>	<u>\$ 409,133</u>

**(7) Capital Assets**

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

	<u>Balance, June 30, 2018</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance, June 30, 2019</u>
Governmental activities:				
Capital assets, not being depreciated:				
Sites	\$ 3,098,633	\$ 1,004	\$ (8)	\$ 3,099,629
Construction in progress	805,149	802,608	(316,147)	1,291,610
Total capital assets, not being depreciated	<u>3,903,782</u>	<u>803,612</u>	<u>(316,155)</u>	<u>4,391,239</u>
Capital assets, being depreciated:				
Improvement of sites	650,130	51,846	(623)	701,353
Buildings and improvements	15,948,292	211,284	(2,644)	16,156,932
Equipment	2,192,122	70,088	(13,714)	2,248,496
Total capital assets, being depreciated	<u>18,790,544</u>	<u>333,218</u>	<u>(16,981)</u>	<u>19,106,781</u>
Less accumulated depreciation for:				
Improvement of sites	(441,027)	(21,400)	459	(461,968)
Buildings and improvements	(6,100,835)	(481,197)	1,723	(6,580,309)
Equipment	(1,767,224)	(180,753)	13,595	(1,934,382)
Total accumulated depreciation	<u>(8,309,086)</u>	<u>(683,350)</u>	<u>15,777</u>	<u>(8,976,659)</u>
Total capital assets, being depreciated, net	<u>10,481,458</u>	<u>(350,132)</u>	<u>(1,204)</u>	<u>10,130,122</u>
Governmental activities capital assets, net	<u>\$ 14,385,240</u>	<u>\$ 453,480</u>	<u>\$ (317,359)</u>	<u>\$ 14,521,361</u>

**LOS ANGELES UNIFIED SCHOOL DISTRICT**

Notes to Basic Financial Statements

Year Ended June 30, 2019

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

Governmental activities:

Facilities Acquisition and construction	\$ 655,465
Student transportation services	9,419
Operation and maintenance of plant services	6,294
Instruction	5,096
Support services – business	2,675
Operation of noninstructional services	1,540
Data processing services	1,473
Support services – instructional staff	1,046
Support services – general administration	127
Support services – students	113
Support services – school administration	102
Total depreciation expense – governmental activities	\$ 683,350

**(8) Deferred Outflows and Inflows of Resources**

District’s deferred outflows and inflows of resources as of June 30, 2019 are comprised of the following (in thousands):

	Deferred Outflows	Deferred Inflows
Debt refunding charges	\$ 97,413	\$ 15,243
Pension contributions subsequent to measurement date	701,501	–
OPEB contributions subsequent to measurement date	287,040	–
Difference in contribution	13,230	460
Unamortized differences between projected and actual earnings on plan investments	544,207	686,483
Unamortized differences between expected and actual experience	159,830	79,670
Unamortized differences arising from changes of assumptions	987,840	2,022,823
Unamortized differences arising from change in proportion of net pension liability	60,550	434,384
Unamortized differences arising from change in proportion of deferred outflow	19,942	16,470
Unamortized differences arising from change in proportion of deferred inflow	6,618	41,405
Total	\$ 2,878,171	\$ 3,296,938

**(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, 2019

***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, 2019 is summarized in the following table (in thousands):

CalPERS – Safety Plan	\$ 107,273
CalPERS – Miscellaneous Plan	2,124,474
CalSTRS	4,764,511
Total	<u>\$ 6,996,258</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, 2019, are summarized as follows:

	<b>Safety</b>	
	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	36.949%	36.949%

**LOS ANGELES UNIFIED SCHOOL DISTRICT**

Notes to Basic Financial Statements

Year Ended June 30, 2019

**Employees Covered**

At June 30, 2019, the following employees were covered by the benefit terms for the Safety Plan:

	<u>Safety</u>
Inactive employees or beneficiaries currently receiving the benefits	424
Inactive employees entitled to, but not yet receiving benefits	155
Active employees	<u>351</u>
Total	<u><u>930</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, 2019, the contributions to the Safety Plan amounted to \$13.0 million.

**Net Pension Liability**

The District's net pension liability for the Safety Plan of \$107.3 million at June 30, 2019 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, 2018, using an annual actuarial valuation as of June 30, 2017 rolled forward to June 30, 2018 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, 2019

The total pension liability in the June 30, 2017 actuarial valuations were determined using the following actuarial assumptions:

	<u>Safety</u>
Valuation date	June 30, 2017
Measurement date	June 30, 2018
Actuarial cost method	Entry-Age Normal
Actuarial assumptions	
Discount rate	7.15%
Inflation	2.50%
Salary increases	Varies by entry age and service
Investment rate of return	7.15% <sup>(1)</sup>
Mortality rate table <sup>(2)</sup>	Derived using CalPERS' membership data for all funds
Post retirement benefit increase	2.0% until Purchasing Power Protection Allowance floor on purchasing power applies, 2.50% thereafter

<sup>(1)</sup> Net of pension plan investment and administrative expenses; includes inflation.

<sup>(2)</sup> The mortality table used was developed based on CalPERS' specific data. The table includes 15 years of mortality improvements using Society of Actuaries Scale 90% of scale MP 2016. For more details on this table, please refer to the December 2017 experience study report (based on CalPERS demographic data from 1997 to 2015) that can be found on the CalPERS website.

All other actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period from 1997 to 2015, 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, 2018, the demographic assumptions and inflation rate were changed in accordance to the CalPERS Experience Study and Review of Actuarial Assumptions December 2017. There were no changes in the discount rate.

**Discount Rate**

The discount rate used to measure the total pension liability of the Safety Plan was 7.15%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability.



**LOS ANGELES UNIFIED SCHOOL DISTRICT**

Notes to Basic Financial Statements

Year Ended June 30, 2019

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 took into account both short-term and long-term market return expectations as well as the expected pension fund (PERF) 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 rounded 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 equal to the single equivalent rate calculated above and adjusted to account for assumed administrative expenses.

The expected real rates of return by asset class are as follows:

Asset Class	Safety		
	Current Target Allocation	Real Return Years 1 - 10 <sup>(a)</sup>	Real Return Years 11+ <sup>(b)</sup>
Global equity	50.00%	4.80%	5.98%
Fixed income	28.00	1.00	2.62
Inflation sensitive	—	0.77	1.81
Private equity	8.00	6.30	7.23
Real estate	13.00	3.75	4.93
Liquidity	1.00	—	(0.92)
Total	<u>100.00%</u>		

<sup>(a)</sup> An expected inflation of 2.00% used for this period.

<sup>(b)</sup> An expected inflation of 2.92% used for this period.

**LOS ANGELES UNIFIED SCHOOL DISTRICT**

Notes to Basic Financial Statements

Year Ended June 30, 2019

**Changes in the Net Pension Liability**

The changes in the net pension liability for the Safety Plan are as follows (in thousands):

	<b>Safety</b>		
	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability/(Asset)
Balance at June 30, 2018	\$ 399,988	\$ 280,276	\$ 119,712
Changes recognized for the measurement period:			
Service cost	10,073	-	10,073
Interest on the total pension liability	27,428	-	27,428
Differences between expected and actual experience	(2,039)	-	(2,039)
Changes of assumptions	(11,622)	-	(11,622)
Plan to plan resource movement	-	(176)	176
Contributions from the employer	-	10,746	(10,746)
Contributions from employees	-	3,291	(3,291)
Net investment income	-	23,684	(23,684)
Benefit payments, including refunds of employee contributions	(15,498)	(15,498)	-
Other miscellaneous	-	(829)	829
Administrative expense	-	(437)	437
Net changes	8,342	20,781	(12,439)
Balance at June 30, 2019	\$ 408,330	\$ 301,057	\$ 107,273

**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):

	<b>Safety</b>		
	1.00% Decrease (6.15%)	Current Discount Rate (7.15%)	1.00% Increase (8.15%)
	District's net pension liability	\$ 165,886	\$ 107,273

**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, 2019

**Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

For the year ended June 30, 2019, the District recognized pension expense of \$16.8 million for the Safety Plan. As of June 30, 2019, the District reported deferred outflows and deferred inflows of resources related to pensions (Safety Plan) as follows (in thousands):

	<b>Safety</b>	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Change of assumptions	\$ 14,069	\$ 10,225
Differences between expected and actual experience	4,608	3,526
Net difference between projected and actual earnings on pension plan investments	9,856	9,577
District contributions subsequent to the measurement date	12,992	—
Total	\$ 41,525	\$ 23,328

The amounts above are net of outflows and inflows recognized in the 2017-18 measurement period expense.

The \$13.0 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, 2020. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in future pension expense as follows (in thousands):

	<b>Safety</b>	
Year ended June 30	Deferred Outflows (Inflows) of Resources	
2020	\$	5,188
2021		4,407
2022		(1,596)
2023		(2,794)

**Payable to the Pension Plan**

The District's contribution for all members to the Safety Plan for the fiscal year ended June 30, 2019 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, 2019.

**LOS ANGELES UNIFIED SCHOOL DISTRICT**

Notes to Basic Financial Statements

Year Ended June 30, 2019

**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, 2019, are summarized as follows:

	<b>Miscellaneous</b>	
	<b>Prior to January 1, 2013</b>	<b>On or after January 1, 2013</b>
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	18.062%	18.062%

**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, 2019, the contributions to the Miscellaneous Plan amounted to \$205.3 million.

**LOS ANGELES UNIFIED SCHOOL DISTRICT**

Notes to Basic Financial Statements

Year Ended June 30, 2019

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

At June 30, 2019, the District reported a net pension liability of \$2.1 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, 2018, 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, 2017 rolled forward to June 30, 2018 using standard update procedures. The District's proportion of the net pension liability was based on the 2017-18 fiscal year employer contributions calculated by CalPERS. At June 30, 2018, the District's proportion rate was 7.96783%.

For the year ended June 30, 2019, the District recognized pension expense of \$351.1 million for the Miscellaneous Plan. At June 30, 2019, 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	\$ 140,103	\$ —
Difference between projected and actual earnings		
on pension plan investments	186,102	160,736
Change of assumption	216,369	—
Change in NPL proportion	—	54,600
Change in proportion of deferred outflow	(2,743)	16,470
Change in proportion of deferred inflow	6,618	(3,220)
Difference in contribution	1,006	460
District contributions subsequent to the measurement date	205,346	—
Total	<u>\$ 752,801</u>	<u>\$ 229,046</u>

The \$205.3 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, 2020. 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>
2020	\$ 196,469
2021	148,580
2022	(14,100)
2023	(12,540)

**LOS ANGELES UNIFIED SCHOOL DISTRICT**

Notes to Basic Financial Statements

Year Ended June 30, 2019

**Actuarial Methods and Assumptions**

The total pension liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions:

	<u>Miscellaneous</u>
Valuation date	June 30, 2017
Measurement date	June 30, 2018
Actuarial cost method	Entry-Age Normal
Actuarial assumptions	
Discount rate	7.15%
Inflation	2.50%
Salary increases	Varies by entry age and service
Investment rate of return	7.15%
Mortality rate table <sup>(1)</sup>	Derived using CalPERS' membership data for all funds
Post retirement benefit	2.00% until purchasing power
Increase	protection allowance floor on purchasing power applies, 2.50% thereafter

<sup>(1)</sup> The mortality table used was developed based on CalPERS' specific data. The table includes 15 years of mortality improvements using Society of Actuaries Scale 90% of scale MP 2016. For more details on this table, please refer to the December 2017 experience study report (based on CalPERS demographic data from 1997 to 2015) that can be found on the CalPERS website.

All other actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period from 1997 to 2015, 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, 2018, the demographic assumptions and inflation rate were changed in accordance to the CalPERS Experience Study and Review of Actuarial Assumptions December 2017. There were no changes in the discount rate.

**Discount Rate**

The discount rate used to measure the total pension liability of the Miscellaneous Plan was 7.15%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**LOS ANGELES UNIFIED SCHOOL DISTRICT**

Notes to Basic Financial Statements

Year Ended June 30, 2019

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 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 adjusted to account for assumed administrative expenses.

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 <sup>(a)</sup>	Real Return Years 11+ <sup>(b)</sup>
Global equity	50.00%	4.80%	5.98%
Fixed income	28.00	1.00	2.62
Inflation sensitive	—	0.77	1.81
Private equity	8.00	6.30	7.23
Real estate	13.00	3.75	4.93
Liquidity	1.00	—	(0.92)
Total	100.00%		

<sup>(a)</sup> An expected inflation of 2.00% used for this period.

<sup>(b)</sup> An expected inflation of 2.92% 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):

**LOS ANGELES UNIFIED SCHOOL DISTRICT**

Notes to Basic Financial Statements

Year Ended June 30, 2019

	1.00% Decrease (6.15%)	<b>Miscellaneous</b> Current Discount Rate (7.15%)	1.00% Increase (8.15%)
District's proportionate share of the net pension liability	\$ 3,093,133	\$ 2,124,474	\$ 1,320,833

**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, 2019 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, 2019.

**(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.



**LOS ANGELES UNIFIED SCHOOL DISTRICT**

Notes to Basic Financial Statements

Year Ended June 30, 2019

The Plan’s provisions and benefits in effect at June 30, 2019, are summarized as follows:

	<b>CalSTRS</b>	
	On or before December 31, 2012	On or after January 1, 2013
Hiring date		
Benefit formula	2.0% @ 60	2.0% @ 62
Benefit vesting schedule	5 years service	5 years service
Benefit payments	monthly for life	monthly for life
Retirement age: Minimum	50-55 (30 years of service credit)	55 (5 years of service credit)
Monthly benefit, as a % of eligible compensation	1.1% - 2.4%	1.16% - 2.4%
Required employee contribution rates	10.25%	10.205%
Required employer contribution rates	16.28%	16.28%

**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 (Board). Required member, employer and state contribution rates are set by the California Legislature and Governor and detailed in Teachers’ 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. Effective July 1, 2020, the Board cannot adjust the employer rate by more than 1% in a fiscal year, and the increase to the contribution rate above the 8.25% base contribution rate cannot exceed 12% for a maximum of 20.25%. The Board has limited authority to adjust state contribution rates annually through June 2046 in order to eliminate the remaining unfunded actuarial obligation associated with the 1990 benefit structure. The Board cannot increase the rate by more than 0.50% in a fiscal year, and if there is no unfunded actuarial obligation, the contribution rate imposed to pay for the 1990 benefit structure would be reduced to 0%.

For the year ended June 30, 2019, the contributions to the CalSTRS’ TRF amounted to \$483.2 million.

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

At June 30, 2019, the District reported a net pension liability of \$4.8 billion for its proportionate share of the CalSTRS net pension liability. The net pension liability was measured as of June 30, 2018, 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 2017-18 fiscal year employer contributions calculated by CalSTRS with consideration given to separately financed and irregular employer contributions relative to the projected contributions of all

**LOS ANGELES UNIFIED SCHOOL DISTRICT**

Notes to Basic Financial Statements

Year Ended June 30, 2019

participating employer and nonemployer contributing entities. At June 30, 2018, the District's proportion rate was 5.184%.

For the year ended June 30, 2019, the District recognized pension expense of \$153.7 million. At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources (in thousands):

	<u>CalSTRS</u>	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 15,119	\$ 76,144
Difference between projected and actual earnings	348,249	510,211
Change of assumption	757,402	—
Change in NPL proportion	60,550	379,784
Change in proportion of deferred outflow	22,685	—
Change in proportion of deferred inflow	—	44,625
Difference in contribution	12,224	—
District contributions subsequent to the measurement date	483,163	—
Total	<u>\$ 1,699,392</u>	<u>\$ 1,010,764</u>

The \$483.2 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, 2020. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in future pension expense as follows:

	<u>CalSTRS</u>
<u>Year ended June 30</u>	Deferred Outflows (Inflows) of Resources
2020	\$ 127,044
2021	48,386
2022	(86,410)
2023	24,597
2024	107,170
Thereafter	(15,322)

# LOS ANGELES UNIFIED SCHOOL DISTRICT

## Notes to Basic Financial Statements

Year Ended June 30, 2019

### 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, 2017, and rolling forward the total pension liability to June 30, 2018. In determining the total pension liability, the financial reporting actuarial valuation used the following actuarial methods and assumptions:

Valuation Date	June 30, 2017
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.

### 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 and administrative expenses 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 inputs 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 as of June 30, 2018, are summarized in the following table:

**LOS ANGELES UNIFIED SCHOOL DISTRICT**

Notes to Basic Financial Statements

Year Ended June 30, 2019

Asset Class	CalSTRS	
	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
Risk mitigating strategies	9.00	2.90
Cash/liquidity	2.00	(1.00)
	<u>100.00 %</u>	

\* 20-year 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, 2018. 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.

**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):

CalSTRS		
1.00% Decrease (6.10%)	Current Discount Rate (7.10%)	1.00% Increase (8.10%)

District's proportionate share of the net pension liability	\$ 6,979,375	\$ 4,764,511	\$ 2,928,079
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**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, 2019 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, 2019.

## LOS ANGELES UNIFIED SCHOOL DISTRICT

### Notes to Basic Financial Statements

Year Ended June 30, 2019

(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, 2019, there are 45,202 District employees covered under PARS.

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, 2019, the District recognized pension expense of \$7.1 million. The District does not have any forfeited amounts.

The District's contributions for all members for the fiscal years ended June 30, 2019, 2018, and 2017 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.

## LOS ANGELES UNIFIED SCHOOL DISTRICT

### Notes to Basic Financial Statements

Year Ended June 30, 2019

- 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.
- 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.

**LOS ANGELES UNIFIED SCHOOL DISTRICT**

Notes to Basic Financial Statements

Year Ended June 30, 2019

**Employees Covered**

As of June 30, 2018 actuarial valuation, the following current and former employees were covered by the benefit terms under the District’s OPEB Plan:

Active employees	60,730
Inactive employees or beneficiaries currently receiving benefits	38,502
Inactive employees entitled to, but not yet receiving benefits	<u>69</u>
Total	<u><u>99,301</u></u>

**Contributions**

The District’s contribution obligation for the fiscal year for the health and welfare benefits of District personnel, including the cost of term life insurance coverage and employee assistance for active employees and coverage under health plans for dependents and retirees, generally is subject to an aggregate contribution limit. Determination of this fiscal year contribution obligation limit occurs through discussions with the relevant collective bargaining units and recommendation by the District-wide Health and Welfare Committee, and is subject to approval by the Board of Education.

Moreover, the District established in fiscal year 2013-14 an irrevocable other postemployment benefits (OPEB) trust with CalPERS – California Employers’ Retiree Benefit Trust (CERBT) to address its fiscal obligation in relation to its OPEB liability. Contributions to the OPEB trust will be calculated annually and 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 2018-19, the District contributed a total of \$287.0 million to the OPEB Plan.

**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, 2019

### Net OPEB Liability

The District's net OPEB liability of \$11.2 billion at June 30, 2019 is measured as the total OPEB liability, less the OPEB plan's fiduciary net position. All information provided is based on the census data, actuarial assumptions, and plan provisions used in the June 30, 2017 actuarial valuation report (dated March 2018), which are assumed to continue to be appropriate, except for the Changes of Benefit Terms and Changes of Assumptions which are reflected in the June 30, 2018 actuarial valuation, and noted below. The total OPEB liability in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions:

Valuation date	July 1, 2018
Measurement date	June 30, 2018
Actuarial cost method	Entry Age Normal Cost
Discount rate	3.90%
Inflation	2.75% per annum
Salary increases	1997-2011 CalPERS Experience Study
Investment rate of return	7.28%
Mortality rate <sup>1</sup>	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 <sup>1</sup>	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%]; Anthem [4.69% - 5.00%] Dental & Vision - 5.00%

<sup>(1)</sup>The Experience Study reports may be accessed on the CalPERS website [www.calpers.ca.gov](http://www.calpers.ca.gov) under Forms and Publications.

### Changes of Assumptions

During the measurement period ended June 30, 2018, the discount rate was increased from 3.6% to 3.9%. 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, 2018.

### Changes of Plans

The liability measurements as of June 30, 2018 showed a change in the District's health care plan that is more cost effective. It reflected implementation of the Anthem Preferred PPO (50 state Medicare Advantage Plan), which replaced the United HealthCare Group Medicare Advantage plan and the Anthem Blue Cross Medicare (EPO) plan, effective January 1, 2019. This resulted in a decrease of \$3.8 billion in the District's net OPEB liability as of June 30, 2019.



**LOS ANGELES UNIFIED SCHOOL DISTRICT**

Notes to Basic Financial Statements

Year Ended June 30, 2019

**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 3.9% as of July 1, 2018, 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 3.87% as of July 1, 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	Assumed asset allocation	Real return years 1-10 <sup>(a)</sup>	Real return years 11+ <sup>(b)</sup>
Global equity	50.00%	4.80%	5.98%
Fixed income	28.00	1.00	2.62
Inflation assets	—	0.77	1.81
Private equity	8.00	6.30	7.23
Real assets	13.00	3.75	4.93
Liquidity	1.00	—	(0.92)
Total	100.00%		

<sup>(a)</sup> An expected inflation of 2.00% used for this period.

<sup>(b)</sup> An expected inflation of 2.92% used for this period.

**LOS ANGELES UNIFIED SCHOOL DISTRICT**

Notes to Basic Financial Statements

Year Ended June 30, 2019

**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, June 30, 2018	\$ 15,212,640	\$ 244,130	\$ 14,968,510
Changes recognized for the fiscal year			
Service cost	523,203	—	523,203
Interest on the total OPEB liability	561,040	—	561,040
Changes of assumptions	(580,166)	—	(580,166)
Changes of benefit terms	(3,842,546)	—	(3,842,546)
Benefit payments	(305,521)	(305,521)	—
Contributions – employer	—	425,521	(425,521)
Net investment income	—	23,893	(23,893)
Other expenses – administrative expense	—	(172)	172
Net changes	<u>(3,643,990)</u>	<u>143,721</u>	<u>(3,787,711)</u>
Ending Balance, June 30, 2019	<u>\$ 11,568,650</u>	<u>\$ 387,851</u>	<u>\$ 11,180,799</u>

**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, 2019 (in thousands):

	1.00% Decrease (2.90%)	Current Discount Rate (3.90%)	1.00% Increase (4.90%)
Net OPEB liability	\$ 13,282,359	\$ 11,180,799	\$ 9,506,074

**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, 2019 (in thousands):

	1.00% Decrease	Trend Rate	1.00% Increase
Net OPEB liability	\$ 9,164,250	\$ 11,180,799	\$ 13,830,735

**LOS ANGELES UNIFIED SCHOOL DISTRICT**

Notes to Basic Financial Statements

Year Ended June 30, 2019

**OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB**

For the fiscal year ended June 30, 2019, the District recognized a decrease in OPEB expense of \$3.4 billion. At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources (in thousands):

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual earnings on OPEB plan investments	\$ —	\$ 5,959
Changes of assumptions	—	2,012,598
District contributions subsequent to the measurement date	287,040	—
Total	<u>\$ 287,040</u>	<u>\$ 2,018,557</u>

The table below lists the amortization bases included in the deferred outflows/inflows as of June 30, 2019 (in thousands):

Date <u>Established</u>	Type of Base	Period		Balance		Annual Payment
		<u>Original</u>	<u>Remaining</u>	<u>Original</u>	<u>Remaining</u>	
6/30/2018	Asset (Gain)/Loss	5.00	4.00	\$ (1,759)	\$ (1,407)	\$ (352)
6/30/2018	Assumptions	7.33	6.33	(580,167)	(501,017)	(79,150)
6/30/2017	Asset (Gain)/Loss	5.00	3.00	(7,587)	(4,552)	(1,517)
6/30/2017	Assumptions	7.50	5.50	(2,061,247)	(1,511,581)	(274,833)
	Total Charges			<u>\$ (2,018,557)</u>	<u>\$ (2,018,557)</u>	<u>\$ (355,852)</u>

The \$287.0 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 OPEB liability in the year ending June 30, 2019.

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>
2020	\$ (355,852)
2021	(355,852)
2022	(355,852)
2023	(354,334)
2024	(353,983)
Thereafter	(242,684)

# LOS ANGELES UNIFIED SCHOOL DISTRICT

## Notes to Basic Financial Statements

Year Ended June 30, 2019

### (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, 2019.

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.

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, 2019, the amount of the total claims liabilities recorded for health and welfare, workers' compensation, and liability self-insurance was \$603 million. Changes in the reported liabilities since July 1, 2017 are summarized as follows (in thousands):

**LOS ANGELES UNIFIED SCHOOL DISTRICT**

Notes to Basic Financial Statements

Year Ended June 30, 2019

	<u>Beginning of Fiscal Year Liability</u>	<u>Current Year Claims and Changes in Estimates</u>	<u>Claim Payments</u>	<u>End of Fiscal Year Liability</u>
2018-2019				
Health and welfare benefits	\$ 25,798	\$ 249,371	\$ (253,160)	\$ 22,009
Workers' compensation self-insurance	455,406	85,111	(97,863)	442,654
Liability self-insurance	139,944	39,440	(41,045)	138,339
Total	<u>\$ 621,148</u>	<u>\$ 373,922</u>	<u>\$ (392,068)</u>	<u>\$ 603,002</u>
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>

**(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, 2019 are as follows (in thousands):

COP Issue	Sale Date	Original Principal Amount	Outstanding June 30, 2019	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	14,470	5.000	5.750	2020
2012A Refunding Headquarters Building Projects	6/12/2012	87,845	48,140	3.750	5.000	2031
2012B Refunding Headquarters Building Projects	6/12/2012	72,345	69,920	2.375	5.000	2031
2013A Refunding Lease	6/24/2013	24,780	16,400	2.290	2.290	2028
			<u>\$ 180,545</u> *			

\* The total amount shown above excludes net unamortized premium of \$5 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, 2019, a total of \$8.9 million of accumulated sinking fund payments have been made, which reflects the portion of the COPs that are considered economically defeased.

# LOS ANGELES UNIFIED SCHOOL DISTRICT

## Notes to Basic Financial Statements

Year Ended June 30, 2019

### *Other Leasing Arrangements*

The District has entered into various lease agreements ranging from four to five years to finance the acquisition of office equipment. These lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of their future minimum lease payments as of the inception date. The future minimum lease payments (principal plus interest) and the net present value of these minimum lease payments (principal only) are detailed in Note 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 and year to year. The leases expire over the next 64 years subject to renewal option provisions.

The total expenditure for all operating leases amounted to \$7.4 million in fiscal year 2018-19. The future minimum commitments for noncancelable operating lease of the District as of June 30, 2019 are as follows (in thousands):

<u>Fiscal year ending</u>	<u>Amount</u>
2020	\$ 6,490
2021	4,850
2022	4,479
2023	3,425
2024	2,900
2025-2029	14,625
2030-2034	17,160
2035-2039	20,728
2040-2044	12,317
2045-2049	13,528
2050-2054	15,786
2055-2059	18,566
2060-2064	22,020
2065-2069	26,349
2070-2074	31,816
2075-2079	38,774
2080-2084	31,056
	<u>\$ 284,869</u>

**LOS ANGELES UNIFIED SCHOOL DISTRICT**

Notes to Basic Financial Statements

Year Ended June 30, 2019

**(12) Long-Term Obligations**

The following is a summary of changes in long-term obligations for the year ended June 30, 2019 (in thousands):

	<u>Balance, July 1, 2018</u>	<u>Additions</u>	<u>Deductions</u>	<u>Other Changes**</u>	<u>Balance, June 30, 2019</u>	<u>Due Within One Year</u>	<u>Interest Expense</u>
General Obligation Bonds*	\$ 11,390,146	\$ 594,605	\$ 1,092,305	(1,128)	\$ 10,891,318	\$ 545,717	\$ 415,273
Certificates of Participation (Note 11)*	202,192	-	15,430	(1,208)	185,554	17,124	7,770
Capital Lease Obligations	676	219	396	-	499	313	28
Children Center Facilities Revolving Loan	238	-	79	-	159	79	-
Liability for Compensated Absences	64,983	94,291	82,157	-	77,117	1,373	-
Liability for Other Employee Benefits	52,547	-	6,887	-	45,660	4,013	-
Self-Insurance Claims (Note 10)	621,148	373,922	392,068	-	603,002	199,167	-
Arbitrage Payable	1,420	875	-	-	2,295	2,295	-
Total	<u>\$ 12,333,350</u>	<u>\$ 1,063,912</u>	<u>\$ 1,589,322</u>	<u>\$ (2,336)</u>	<u>\$ 11,805,604</u>	<u>\$ 770,081</u>	<u>\$ 423,071</u>

\* The amounts shown above include unamortized premiums and discounts.

\*\* Premium on bonds and premium and discount amortization.

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 Principal	Total	
	Principal	Interest	Principal	Interest		Principal	Interest
2020	\$ 425,380	\$ 495,247	\$ 16,428	\$ 8,309	\$ 79	\$ 441,887	\$ 503,556
2021	431,235	486,523	26,923	7,502	80	458,238	494,025
2022	457,645	465,295	10,778	6,836	-	468,423	472,131
2023	491,465	442,230	11,142	6,306	-	502,607	448,536
2024	506,190	417,876	10,898	5,773	-	517,088	423,649
2025-2029	3,223,850	1,648,491	60,025	20,553	-	3,283,875	1,669,044
2030-2034	3,014,095	874,083	40,900	5,820	-	3,054,995	879,903
2035-2039	1,164,000	180,655	3,950	327	-	1,167,950	180,982
2040-2044	392,590	37,169	-	-	-	392,590	37,169
	<u>\$ 10,106,450</u>	<u>\$ 5,047,569</u>	<u>\$ 181,044</u>	<u>\$ 61,426</u>	<u>\$ 159</u>	<u>\$ 10,287,653</u>	<u>\$ 5,108,995</u>

# LOS ANGELES UNIFIED SCHOOL DISTRICT

## Notes to Basic Financial Statements

Year Ended June 30, 2019

The General Obligation (GO) Bonds outstanding balance as of June 30, 2019 consists of the following (in thousands):

Bond Issue	Sale Date	Original Principal Amount	Outstanding June 30, 2019	Interest Rates to Maturity		Final Maturity
				Min	Max	
Election of 2002, D (2009)	2/19/2009	\$ 250,000	\$ 8,155	5.00	5.00	2019
Election of 2004, I (2009)	2/19/2009	550,000	18,155	5.00	5.00	2019
Election of 2005, F (2009)	2/19/2009	150,000	4,945	5.00	5.00	2019
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	5,645	5.00	5.00	2019
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	393,185	4.00	5.25	2034
RY (2010-BAB)	3/4/2010	1,250,585	1,250,585	6.76 (a)	6.76 (a)	2034
Election of 2005, J-1 (2010)	5/6/2010	190,195	190,195 (b)	5.98	5.98	2027
Election of 2005, J-2 (2010)	5/6/2010	100,000	100,000 (b)	5.72	5.72	2027
2011A-1 Refunding	11/1/2011	206,735	104,935	4.00	5.00	2024
2011A-2 Refunding	11/1/2011	201,070	142,915	4.00	5.00	2023
2012A Refunding	5/8/2012	156,000	110,985	2.00	5.00	2028
2014A Refunding	6/26/2014	196,850	76,285	5.00	5.00	2022
2014B Refunding	6/26/2014	323,170	174,540	5.00	5.00	2026
2014C Refunding	6/26/2014	948,795	875,070	2.00	5.00	2031
2014D Refunding	6/26/2014	153,385	143,555	5.00	5.00	2030
Election of 2005, K (2014)	8/19/2014	35,465	3,725	4.00	4.00	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	617,295	3.00	5.00	2040
2016A Refunding	4/5/2016	577,400	504,630	3.00	5.00	2030
2016B Refunding	9/15/2016	500,855	498,240	2.00	5.00	2032
2017A Refunding	5/25/2017	1,080,830	1,056,040	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
2019A Refunding	5/29/2019	594,605	594,605	3.00	5.00	2034
			\$ 10,106,450			*

\* The total amount shown above excludes unamortized premium and discount of \$785.0 million.

(a) Issued under Build America Bonds (BABs), a taxable bond program for which the federal government initially subsidized 35% of the interest cost.

(b) Includes the set-aside deposits totaling \$27.330 million in Fiscal Year 2018-19 for Qualified School Construction Bonds (Federally Taxable Direct Subsidy Bonds).

On May 29, 2019, the District issued \$594.6 million of 2019 General Obligation Refunding Bonds, Series A (Dedicated Unlimited *Ad Valorem* Property Tax Bonds) to refund bonds originally issued in 2009. These refunded bonds have an aggregate par amount of \$687.6 million. The Refunding Bonds were sold via competitive bid with underlying ratings of “AAA” from Fitch and “Aa2” from Moody’s. The refunding generated gross savings of \$170.8 million over the life of the bonds. Net present value savings were \$147.3 million or 21.4% of the refunded bonds.



**LOS ANGELES UNIFIED SCHOOL DISTRICT**

Notes to Basic Financial Statements

Year Ended June 30, 2019

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, 2019, \$2.3 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). The first arbitrage rebate or yield reduction payment is due to IRS in October 2019 with final payment in February 2020.

***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 2019, approximately 93% of compensated absences has been paid by the General Fund, 6% 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 6%; no other individual fund is charged more than 3% of the total amount.

**(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, 2019 are as follows (in thousands):

<u>Fund Group</u>	<u>Fund</u>	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
General	Unrestricted	\$ 700	\$ —
	Total General	<u>700</u>	<u>—</u>
Special Revenue	Adult Education	—	700
	Total Special Revenue	<u>—</u>	<u>700</u>
	Total Interfund Receivables/Payables	<u>\$ 700</u>	<u>\$ 700</u>

**LOS ANGELES UNIFIED SCHOOL DISTRICT**

Notes to Basic Financial Statements

Year Ended June 30, 2019

**(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, 2019 were as follows (in thousands):

From	To	Purpose	Amount
General Fund	Adult Education Fund	Transfer of balance	\$ 440
General Fund	Child Development Fund	Child development support	22,320
General Fund	Cafeteria Fund	Reimbursement of expenditures	1,173
General Fund	Building Fund – Measure R	Reimbursement of capital expenditures	360
General Fund	Building Fund – Measure K	Reimbursement of capital expenditures	13
General Fund	Building Fund – Measure Y	Reimbursement of capital expenditures	15
General Fund	Building Fund – Measure Q	Reimbursement of capital expenditures	3
General Fund	Building Fund – Measure Q	Reimbursement of capital expenditures	12
General Fund	Capital Services Fund	Debt service	16,061
Child Development Fund	General Fund	Reimbursement of expenditures	150
Building Fund – Measure R	General Fund	Reimbursement of capital expenditures	28
Building Fund – Measure R	Building Fund – Measure K	Reimbursement of capital expenditures	619
Building Fund – Measure R	Building Fund – Measure Y	Reimbursement of capital expenditures	197
Building Fund – Measure R	Building Fund – Measure Q	Reimbursement of capital expenditures	15,454
Building Fund – Measure R	County School Facilities – Prop 47	Reimbursement of capital expenditures	795
Building Fund – Bond Proceeds	Building Fund – Measure Q	Reimbursement of capital expenditures	7,147
Building Fund – Bond Proceeds	County School Facilities – Prop 47	Reimbursement of capital expenditures	56
Building Fund – Measure K	Building Fund – Measure R	Reimbursement of capital expenditures	208
Building Fund – Measure K	Building Fund – Measure Y	Reimbursement of capital expenditures	6,144
Building Fund – Measure K	Building Fund – Measure Q	Reimbursement of capital expenditures	95,094
Building Fund – Measure K	County School Facilities – Prop 47	Reimbursement of capital expenditures	1,185
Building Fund – Measure K	Special Reserve Fund	Reimbursement of capital expenditures	113
Building Fund – Measure Y	General Fund	Reimbursement of capital expenditures	417
Building Fund – Measure Y	Building Fund – Measure R	Reimbursement of capital expenditures	276
Building Fund – Measure Y	Building Fund – Measure K	Reimbursement of capital expenditures	105
Building Fund – Measure Y	Building Fund – Measure Q	Reimbursement of capital expenditures	558
Building Fund – Measure Y	County School Facilities – Prop 47	Reimbursement of capital expenditures	626
Building Fund – Measure Q	General Fund	Reimbursement of capital expenditures	4,654
Building Fund – Measure Q	Building Fund – Measure R	Reimbursement of capital expenditures	701
Building Fund – Measure Q	Building Fund – Measure K	Reimbursement of capital expenditures	666
Building Fund – Measure Q	Building Fund – Measure Y	Reimbursement of capital expenditures	164
Building Fund – Measure Q	County School Facilities – Prop 47	Reimbursement of capital expenditures	38
Building Fund – Measure Q	Special Reserve Fund	Reimbursement of capital expenditures	5
Capital Facilities Fund	Building Fund – Measure K	Reimbursement of capital expenditures	419
Capital Facilities Fund	Building Fund – Measure Y	Reimbursement of capital expenditures	490
Capital Facilities Fund	Building Fund – Measure Q	Reimbursement of capital expenditures	33,836
Capital Facilities Fund	County School Facilities – Prop 47	Reimbursement of capital expenditures	60
County School Facilities – Prop 47	General Fund	Reimbursement of capital expenditures	1
County School Facilities – Prop 47	Building Fund – Measure R	Reimbursement of capital expenditures	6,682
County School Facilities – Prop 47	Building Fund – Bond Proceeds	Reimbursement of capital expenditures	4,283
County School Facilities – Prop 47	Building Fund – Measure K	Reimbursement of capital expenditures	21,420
County School Facilities – Prop 47	Building Fund – Measure Y	Reimbursement of capital expenditures	6,491
County School Facilities – Prop 47	Building Fund - Measure Q	Reimbursement of capital expenditures	43,884
Special Reserve Fund – CRA	General Fund	Reimbursement of capital expenditures	20,000
Special Reserve Fund	General Fund	Reimbursement of capital expenditures	130
Special Reserve Fund	Building Fund – Measure R	Reimbursement of capital expenditures	707
Special Reserve Fund	Building Fund – Measure K	Reimbursement of capital expenditures	543
Special Reserve Fund	Building Fund – Measure Y	Reimbursement of capital expenditures	1,584
Special Reserve Fund	Building Fund – Measure Q	Reimbursement of capital expenditures	1,373
Special Reserve Fund	County School Facilities – Prop 47	Reimbursement of capital expenditures	372
Special Reserve Fund	Capital Services Fund	Debt service	25
Total			<u>\$318,097</u>

**LOS ANGELES UNIFIED SCHOOL DISTRICT**

Notes to Basic Financial Statements

Year Ended June 30, 2019

**(14) Fund Equity**

The following is a summary of nonspendable, restricted, assigned, and unassigned fund balances at June 30, 2019 (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	\$ 2,677	\$ 642	\$ —	\$ 16
Inventories	20,437	—	—	9,065
Prepays	4,210	—	—	45
Total Nonspendable Balances	<u>27,324</u>	<u>642</u>	<u>—</u>	<u>9,126</u>
Restricted for:				
Child Nutrition: School Programs	—	—	—	98,262
Medi-Cal Billing Options	2,194	—	—	—
FEMA Public Assistance Funds	132	—	—	1,574
California Clean Energy Jobs Act	71,868	—	—	—
School Mental Health Medi-Cal Rehabilitation	5,412	—	—	—
Medi-Cal Electronic Health Record Incentive	25	—	—	—
Special Education	2,340	—	—	—
Special Education: Early Education Individuals with Exceptional Needs (Infant Program)	129	—	—	—
Classified Employee Professional Development Block Grant	4,347	—	—	—
Low Performance Students Block Grant	7,143	—	—	—
State School Facilities Projects	—	—	—	145,816
Employment Training Panel-Regional Occupational Centers and Programs	478	—	—	—
Ongoing and Major Maintenance Account	15,962	—	—	—
Prop 84 Stormwater Grant Reimbursement	—	—	—	5
CDE Grant Olive Vista Middle School	—	—	—	4
California Public Assistance & Reimbursement	—	—	—	412
Drought Response Outreach Program for Schools Grant	—	—	—	965
Division of State Architect Certification/Close out	—	—	—	1,665
Capital Projects	—	—	—	156,267
B.E.S.T. Behavior – Special Education	178	—	—	—
KLCS – Capital Improvements	1,663	—	—	—
Clean Cities Grant	86	—	—	—
Cognitive Behavioral Intervention Therapy	98	—	—	—
JADE Continuing Education Learning	55	—	—	—
DWP Pilot Efficiency Activities	2,448	—	—	—
Adult Education Block Grant Program	—	—	—	7,807
Calworks	—	—	—	122
Debt Service Reserve	—	—	849,158	33,980
District Bonds	—	916,651	—	—
Total Restricted Balances	<u>114,558</u>	<u>916,651</u>	<u>849,158</u>	<u>446,879</u>
Committed to:				
Ongoing salary increase	174,590	—	—	—
Assigned to:				
Subsequent year expenditures	916,143	—	—	177,838
Unassigned:				
Reserved for economic uncertainties	75,618	—	—	—
Unassigned	908,617	—	—	—
Total Fund Balances	<u>\$ 2,216,850</u>	<u>\$ 917,293</u>	<u>\$ 849,158</u>	<u>\$ 633,843</u>

# LOS ANGELES UNIFIED SCHOOL DISTRICT

## Notes to Basic Financial Statements

Year Ended June 30, 2019

**Nonspendable** fund balances represent amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact.

**Restricted** fund balances represent amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

**Committed** fund balances represent amounts that can be used only for specific purposes determined by a formal action of the governing board through the adoption of a resolution. The governing board is the highest level of decision-making authority for the District. These committed amounts cannot be used for any other purpose unless the governing board removes or changes the specific use through formal action. Governing board action to commit fund balance needs to occur within the fiscal reporting period, no later than June 30. The amount which will be committed can be determined subsequently but prior to the release of the District's financial statements.

**Assigned** fund balances represent amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. The District's adopted policy delegates the authority to assign amounts for specific purposes to the Superintendent, or 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 Other Financing Uses. 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

## LOS ANGELES UNIFIED SCHOOL DISTRICT

### Notes to Basic Financial Statements

Year Ended June 30, 2019

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.

**(b) Grants**

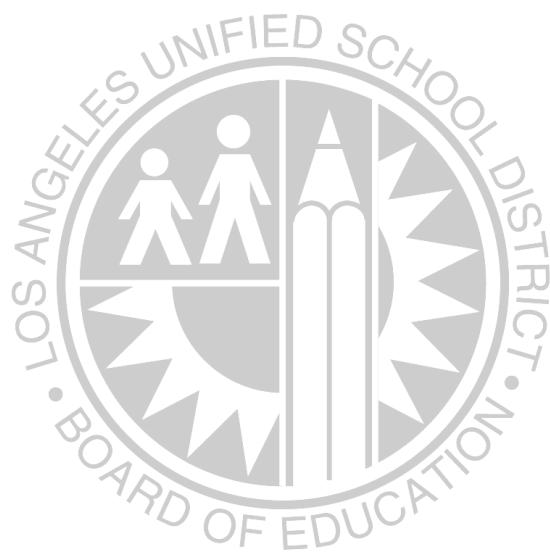
The District has received state and federal funds for specific purposes that are subject to review and audit by the grantor agencies. Although such audits could generate expenditure disallowances under the terms of the grants, management believes that any required reimbursement will not be material to the financial statements.

**(c) Construction Contracts**

The District has entered into various contracts for the construction of facilities throughout the campuses. During fiscal year 2018-19 the District entered into approximately 110 contracts with a combined value of \$440.3 million. The durations of the contracts range from three months to five years.

**(16) Subsequent Events**

In August 2019, Kroll Bond Rating Agency upgraded the long-term rating on the District's 2016 General Obligation Refunding Bonds, Series A & B (Dedicated Unlimited Ad Valorem Property Tax Bonds) to "AAA" from "AA+", with a Stable Outlook.



**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, 2019  
(Dollar amounts in thousands)  
(unaudited)

	<u>2017-2018</u>	<u>2018-2019</u>
Total OPEB Liability		
Service Cost	\$ 634,089	\$ 523,203
Interest on the total OPEB liability	490,582	561,040
Changes of Benefit Terms	—	(3,842,546)
Changes in assumptions	(2,061,247)	(580,166)
Benefit payments	(264,763)	(305,521)
Net change in total OPEB liability	(1,201,339)	(3,643,990)
Total OPEB liability – beginning	16,413,979	15,212,640
Total OPEB liability – ending (a)	<u>\$ 15,212,640</u>	<u>\$ 11,568,650</u>
Plan fiduciary net position		
Contributions – employer	\$ 342,763	\$ 425,521
Net investment income	20,995	23,893
Benefit payments	(264,763)	(305,521)
Administrative expense	(103)	(172)
Net change in plan fiduciary net position	98,892	143,721
Plan fiduciary net position – beginning	145,238	244,130
Plan fiduciary net position – ending (b)	244,130	387,851
Net OPEB liability – ending (a) - (b)	<u>\$ 14,968,510</u>	<u>\$ 11,180,799</u>
Plan fiduciary net position as a percentage of the total OPEB liability	1.60%	3.35%
Covered – employee payroll	\$ 3,905,000	\$ 3,728,000
Net OPEB liability as percentage of covered – employee payroll	383.32%	299.91%

\* Fiscal year 2017-18 was the first year of implementation, therefore only two years are shown.

Schedule of Contributions  
For the Year Ended June 30, 2019

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, 2019  
(Dollar amounts in thousands)  
(unaudited)

	<u>2014-2015</u>	<u>2015-2016</u>	<u>2016-2017</u>	<u>2017-2018</u>	<u>2018-2019</u>
Total Pension Liability					
Service Cost	\$ 8,284	\$ 8,240	\$ 8,861	\$ 10,331	\$ 10,073
Interest on total pension liability	22,121	23,128	25,394	26,815	27,428
Differences between expected and actual experience	—	(4,558)	11,191	(1,831)	(2,039)
Changes in assumptions	—	(5,860)	—	23,771	(11,622)
Changes in benefits	—	—	—	—	—
Benefit payments, including refunds of employee contributions	(12,325)	(12,853)	(13,653)	(14,041)	(15,498)
Net change in total pension liability	18,080	8,097	31,793	45,045	8,342
Total pension liability – beginning	296,973	315,053	323,150	354,943	399,988
Total pension liability – ending (a)	<u>315,053</u>	<u>323,150</u>	<u>354,943</u>	<u>399,988</u>	<u>408,330</u>
Plan fiduciary net position					
Contributions – employer	8,341	9,347	8,701	9,711	10,746
Contributions – employee	2,717	2,825	3,064	3,352	3,291
Net investment income (net of administrative expenses)	37,066	5,185	1,196	28,500	22,418
Benefit payments	(12,325)	(12,853)	(13,653)	(14,041)	(15,498)
Plan to Plan Resource Movement	—	1	(3)	(15)	(176)
Net change in plan fiduciary net position	35,799	4,505	(695)	27,507	20,781
Plan fiduciary net position – beginning	213,160	248,959	253,464	252,769	280,276
Plan fiduciary net position – ending (b)	<u>248,959</u>	<u>253,464</u>	<u>252,769</u>	<u>280,276</u>	<u>301,057</u>
Net pension liability – ending (a) - (b)	<u>\$ 66,094</u>	<u>\$ 69,686</u>	<u>\$ 102,174</u>	<u>\$ 119,712</u>	<u>\$ 107,273</u>
Plan fiduciary net position as a percentage of the total pension liability	79.02%	78.44%	71.21%	70.07%	73.73%
Covered – employee payroll	\$ 26,213	\$ 27,384	\$ 31,786	\$ 33,239	\$ 33,381
Net pension liability as percentage of covered – employee payroll	252.14%	254.48%	321.45%	360.16%	321.36%

\* Fiscal year 2014-15 was the first year of implementation, therefore only five years are shown.

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, 2019  
(Dollar amounts in thousands)  
(unaudited)

	<u>2014-2015</u>	<u>2015-2016</u>	<u>2016-2017</u>	<u>2017-2018</u>	<u>2018-2019</u>
Actuarially determined contribution	\$ 9,342	\$ 10,397	\$ 11,392	\$ 11,057	\$ 12,992
Contributions in relation to the actuarially determined contributions	(9,342)	(10,397)	(11,392)	(11,057)	(12,992)
Contribution deficiency (excess)	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>
Covered – employee payroll	\$ 39,837	\$ 42,476	\$ 43,788	\$ 43,799	\$ 46,849
Contributions as a percentage of covered – employee payroll	23.45%	24.48%	26.02%	25.24%	27.73%

**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	6/30/2016
Actuarial cost method	Entry Age Normal 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	Level Percent of Payroll
Asset valuation method	15 Year Smoothed Market	Market Value of Assets	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	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	Varies by entry age and service
Payroll Growth	3.0%	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%	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.	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.	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 five 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, 2019  
 (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>	<u>2018-2019</u>
District's proportion of the net pension liability (asset)	9.3936%	8.7047%	8.3405%	8.15065%	7.96783%
District's proportionate share of the net pension liability (asset)	\$ 1,066,402	\$ 1,283,081	\$ 1,647,254	\$ 1,945,775	\$ 2,124,474
District's covered-employee payroll	839,116	1,016,759	1,078,634	1,108,784	1,116,870
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%	190.22%
Plan fiduciary net position as a percentage of the total pension liability	83.38%	79.43%	73.90%	71.87%	70.85%

2. Schedule of District Contributions

	<u>2014-2015</u>	<u>2015-2016</u>	<u>2016-2017</u>	<u>2017-2018</u>	<u>2018-2019</u>
Contractually required contribution					
District contributions	\$ 113,398	\$ 119,193	\$ 144,467	\$ 166,342	\$ 205,346
Contributions in relation to the contractually required contribution	113,398	119,193	144,467	166,342	205,346
Contribution deficiency (excess)	\$ —	\$ —	\$ —	\$ —	\$ —
District's covered-employee payroll	1,016,759	1,078,634	1,108,784	1,116,870	1,228,585
Contributions as a percentage of covered-employee payroll	11.15%	11.05%	13.03%	14.89%	16.71%

**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	6/30/2017
Actuarial cost method	Entry Age Normal	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	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.	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	Market value of Assets
Inflation	2.75%	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	Varies by entry age and duration of service
Investment rate of return	7.50%	7.50%	7.50%	7.50%	7.15%
Retirement age	CalPERS Experience Study	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 improvement 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 improvement 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 improvement using Scale BB published by the Society of Actuaries.

\* Fiscal year 2014-15 was the first year of implementation, therefore only five 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, 2019  
 (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>	<u>2018-2019</u>
District's proportion of the net pension liability (asset)	5.7380%	5.9320%	5.5890%	5.3050%	5.1840%
District's proportionate share of the net pension liability (asset)	\$ 3,353,000	\$ 3,993,660	\$ 4,520,439	\$ 4,906,064	\$ 4,764,511
District's covered-employee payroll	2,585,154	2,771,643	2,834,892	2,865,305	2,833,461
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%	168.15%
Plan fiduciary net position as a percentage of the total pension liability	76.52%	74.02%	70.04%	69.46%	70.99%

2. Schedule of District Contributions

	<u>2014-2015</u>	<u>2015-2016</u>	<u>2016-2017</u>	<u>2017-2018</u>	<u>2018-2019</u>
Contractually required contribution					
District contributions	\$ 245,474	\$ 302,716	\$ 358,073	\$ 407,198	\$ 483,163
Contributions in relation to the contractually required contribution	<u>245,474</u>	<u>302,716</u>	<u>358,073</u>	<u>407,198</u>	<u>483,163</u>
Contribution deficiency (excess)	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>
District's covered-employee payroll	2,771,643	2,834,892	2,865,305	2,833,461	3,052,549
Contributions as a percentage of covered-employee payroll	8.86%	10.68%	12.50%	14.37%	15.83%

**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	6/30/2017
Actuarial cost method	Entry Age Normal	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	Level Percent of Payroll
Remaining amortization period	30 years	32 years	31 years	30 years	29 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	Expected Value with 33% adjustment to Market Value
Inflation	3.00%	3.00%	3.00%	2.75%	2.75%
Salary increases	3.75%	3.75%	3.75%	3.50%	3.50%
Investment rate of return	7.50%	7.50%	7.50%	7.25%	7.10%
Retirement age	Experience Tables	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	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 five 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, 2019  
(in thousands)

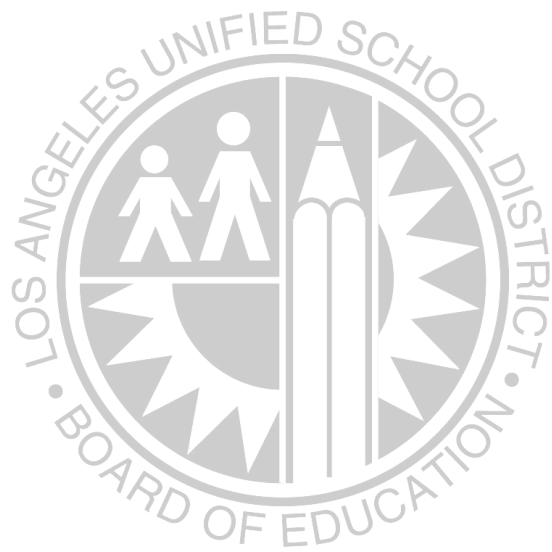
	Budget		Actual	Variance with Final Budget – Favorable (Unfavorable)
	Original	Final		
Revenues:				
Other local revenues	\$ 15,668	\$ 15,668	\$ 29,095	\$ 13,427
Total Revenues	<u>15,668</u>	<u>15,668</u>	<u>29,095</u>	<u>13,427</u>
Expenditures:				
Current:				
Classified salaries	121,097	160,668	57,273	103,395
Employee benefits	58,090	70,594	26,880	43,714
Books and supplies	8,687	28,033	2,638	25,395
Services and other operating expenditures	52,788	349,879	39,517	310,362
Capital outlay	355,899	605,152	577,374	27,778
Total Expenditures	<u>596,561</u>	<u>1,214,326</u>	<u>703,682</u>	<u>510,644</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(580,893)</u>	<u>(1,198,658)</u>	<u>(674,587)</u>	<u>524,071</u>
Other Financing Sources (Uses):				
Transfers in	—	249,450	249,450	—
Transfers out	—	(141,095)	(135,250)	5,845
Total Other Financing Sources (Uses)	<u>—</u>	<u>108,355</u>	<u>114,200</u>	<u>5,845</u>
Net Changes in Fund Balances	<u>(580,893)</u>	<u>(1,090,303)</u>	<u>(560,387)</u>	<u>529,916</u>
Fund Balances, July 1, 2018	<u>1,585,284</u>	<u>1,477,680</u>	<u>1,477,680</u>	<u>—</u>
Fund Balances, June 30, 2019	<u>\$ 1,004,391</u>	<u>\$ 387,377</u>	<u>\$ 917,293</u>	<u>\$ 529,916</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, 2019  
(in thousands)

	<b>Budget</b>		<b>Actual</b>	<b>Variance with Final Budget – Favorable (Unfavorable)</b>
	<b>Original</b>	<b>Final</b>		
Revenues:				
Federal revenues	\$ 68,885	\$ 68,885	\$ 69,032	\$ 147
Other state revenues	5,236	5,236	3,447	(1,789)
Other local revenues	901,243	901,243	893,545	(7,698)
Total Revenues	<u>975,364</u>	<u>975,364</u>	<u>966,024</u>	<u>(9,340)</u>
Expenditures:				
Debt service – principal	432,005	746,038	404,675	341,363
Debt service – bond issuance cost	—	1,303	1,303	—
Debt service – bond, COPs, and capital leases interest	522,635	1,018,712	522,301	496,411
Total Expenditures	<u>954,640</u>	<u>1,766,053</u>	<u>928,279</u>	<u>837,774</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>20,724</u>	<u>(790,689)</u>	<u>37,745</u>	<u>828,434</u>
Other Financing Sources (Uses):				
Issuance of refunding bonds	—	594,605	594,605	—
Payment to refunded bond escrow agent	—	(703,627)	(703,627)	—
Premium on refunding bonds issued	—	110,325	110,325	—
Total Other Financing Sources	<u>—</u>	<u>1,303</u>	<u>1,303</u>	<u>—</u>
Net Changes in Fund Balances	20,724	(789,386)	39,048	828,434
Fund Balances, July 1, 2018	842,334	810,110	810,110	—
Fund Balances, June 30, 2019	<u>\$ 863,058</u>	<u>\$ 20,724</u>	<u>\$ 849,158</u>	<u>\$ 828,434</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 monies 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.

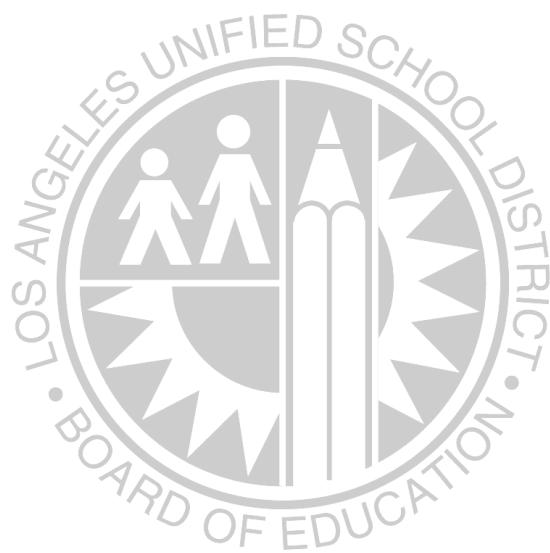
The Special Reserve Fund is used to account for District resources designated for capital outlay purposes such as land purchases, ground improvements, facilities construction and improvements, new acquisitions, and related expenditures.

## **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, 2019  
(in thousands)

	<b>Special Revenue</b>			
	<b>Adult Education</b>	<b>Child Development</b>	<b>Cafeteria</b>	<b>Total</b>
Assets:				
Cash in county treasury, in banks, and on hand	\$ 106	\$ 2,750	\$ 47,165	\$ 50,021
Cash held by trustee	—	—	—	—
Accounts receivable – net	20,740	2,722	56,192	79,654
Accrued interest receivable	42	15	359	416
Prepays	—	—	45	45
Inventories	—	—	9,065	9,065
Total Assets	20,888	5,487	112,826	139,201
Deferred Outflows of Resources	—	—	—	—
Total Assets and Deferred Outflows of Resources	\$ 20,888	\$ 5,487	\$ 112,826	\$ 139,201
Liabilities and Fund Balances:				
Vouchers and accounts payable	\$ 1,728	\$ 280	\$ 1,933	\$ 3,941
Contracts payable	7	4	—	11
Accrued payroll	2,700	4,952	2,650	10,302
Other payables	2	6	151	159
Due to other funds	700	—	—	700
Unearned revenue	87	2	721	810
Total Liabilities	5,224	5,244	5,455	15,923
Deferred Inflows of Resources	—	—	—	—
Fund Balances:				
Nonspendable	17	—	9,109	9,126
Restricted	7,929	—	98,262	106,191
Assigned	7,718	243	—	7,961
Total Fund Balances	15,664	243	107,371	123,278
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 20,888	\$ 5,487	\$ 112,826	\$ 139,201

See accompanying independent auditors' report.

**Debt Service**

<b>Tax Override</b>	<b>Capital Services</b>	<b>Total</b>
\$ 407	\$ 2,981	\$ 3,388
—	30,575	30,575
—	—	—
2	15	17
—	—	—
—	—	—
<u>409</u>	<u>33,571</u>	<u>33,980</u>
—	—	—
<u>\$ 409</u>	<u>\$ 33,571</u>	<u>\$ 33,980</u>
\$ —	\$ —	\$ —
—	—	—
—	—	—
—	—	—
—	—	—
—	—	—
—	—	—
<u>—</u>	<u>—</u>	<u>—</u>
<u>—</u>	<u>—</u>	<u>—</u>
<u>—</u>	<u>—</u>	<u>—</u>
<u>—</u>	<u>—</u>	<u>—</u>
—	—	—
409	33,571	33,980
—	—	—
<u>409</u>	<u>33,571</u>	<u>33,980</u>
<u>\$ 409</u>	<u>\$ 33,571</u>	<u>\$ 33,980</u>

(Continued)

LOS ANGELES UNIFIED SCHOOL DISTRICT  
 Nonmajor Governmental Funds  
 Combining Balance Sheet (Continued)  
 June 30, 2019  
 (in thousands)

	<b>Capital</b>			
	<b>Building</b>	<b>Capital Facilities Account</b>	<b>State School Building Lease – Purchase</b>	<b>County School Facilities Bonds</b>
Assets:				
Cash in county treasury, in banks, and on hand	\$ 10,267	\$ 159,305	\$ 11,969	\$ 141,059
Cash held by trustee	—	—	—	—
Accounts receivable – net	—	14,427	—	—
Accrued interest receivable	56	932	65	815
Prepays	—	—	—	—
Inventories	—	—	—	—
Total Assets	<u>10,323</u>	<u>174,664</u>	<u>12,034</u>	<u>141,874</u>
Deferred Outflows of Resources	—	—	—	—
Total Assest and Deferred Outflows of Resources	<u>\$ 10,323</u>	<u>\$ 174,664</u>	<u>\$ 12,034</u>	<u>\$ 141,874</u>
Liabilities and Fund Balances:				
Vouchers and accounts payable	\$ —	\$ 4,343	\$ 132	\$ 794
Contracts payable	—	10,236	175	1,181
Accrued payroll	—	65	—	11
Other payables	—	2,849	5,784	15
Due to other funds	—	—	—	—
Unearned revenue	—	—	—	—
Total Liabilities	<u>—</u>	<u>17,493</u>	<u>6,091</u>	<u>2,001</u>
Deferred Inflows of Resources	—	—	—	—
Fund Balances:				
Nonspendable	—	—	—	—
Restricted	—	—	5,943	139,873
Assigned	10,323	157,171	—	—
Total Fund Balances	<u>10,323</u>	<u>157,171</u>	<u>5,943</u>	<u>139,873</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 10,323</u>	<u>\$ 174,664</u>	<u>\$ 12,034</u>	<u>\$ 141,874</u>

See accompanying independent auditors' report.

**Projects**

<b>Special Reserve – Community Redevelopment Agency</b>	<b>Special Reserve</b>	<b>Special Reserve – FEMA – Earthquake</b>	<b>Special Reserve – FEMA – Hazard Mitigation</b>	<b>Total</b>	<b>Total Nonmajor Governmental Funds</b>
\$ 78,230	\$ 78,209	\$ 3,420	\$ 2,162	\$ 484,621	\$ 538,030
—	1,209	—	—	1,209	31,784
—	—	—	—	14,427	94,081
461	481	19	12	2,841	3,274
—	—	—	—	—	45
—	—	—	—	—	9,065
<u>78,691</u>	<u>79,899</u>	<u>3,439</u>	<u>2,174</u>	<u>503,098</u>	<u>676,279</u>
—	—	—	—	—	—
<u>\$ 78,691</u>	<u>\$ 79,899</u>	<u>\$ 3,439</u>	<u>\$ 2,174</u>	<u>\$ 503,098</u>	<u>\$ 676,279</u>
\$ 320	\$ 232	\$ —	\$ —	\$ 5,821	\$ 9,762
—	107	—	—	11,699	11,710
9	243	—	—	328	10,630
—	17	—	—	8,665	8,824
—	—	—	—	—	700
—	—	—	—	—	810
<u>329</u>	<u>599</u>	<u>—</u>	<u>—</u>	<u>26,513</u>	<u>42,436</u>
—	—	—	—	—	—
—	—	—	—	—	9,126
78,362	79,300	3,230	—	306,708	446,879
—	—	209	2,174	169,877	177,838
<u>78,362</u>	<u>79,300</u>	<u>3,439</u>	<u>2,174</u>	<u>476,585</u>	<u>633,843</u>
<u>\$ 78,691</u>	<u>\$ 79,899</u>	<u>\$ 3,439</u>	<u>\$ 2,174</u>	<u>\$ 503,098</u>	<u>\$ 676,279</u>

LOS ANGELES UNIFIED SCHOOL DISTRICT  
 Nonmajor Governmental Funds  
 Combining Statement of Revenues, Expenditures, and Changes in Fund Balances  
 Year Ended June 30, 2019  
 (in thousands)

	<b>Special Revenue</b>			
	<b>Adult Education</b>	<b>Child Development</b>	<b>Cafeteria</b>	<b>Total</b>
<b>Revenues:</b>				
Federal revenues	\$ 16,666	\$ 5,432	\$ 364,175	\$ 386,273
Other state revenues	108,156	137,247	24,401	269,804
Other local revenues	4,355	2,840	10,925	18,120
Total Revenues	<u>129,177</u>	<u>145,519</u>	<u>399,501</u>	<u>674,197</u>
<b>Expenditures:</b>				
<b>Current:</b>				
Certificated salaries	60,959	43,532	—	104,491
Classified salaries	17,077	52,063	102,325	171,465
Employee benefits	41,437	58,411	93,620	193,468
Books and supplies	6,290	2,850	155,207	164,347
Services and other operating expenditures	6,225	2,885	3,500	12,610
Capital outlay	1,225	—	—	1,225
Debt service – principal	—	79	—	79
Debt service – bond, COPs, and capital leases interest	—	—	—	—
Other outgo	48	—	—	48
Transfers of indirect costs – interfund	5,115	7,941	17,017	30,073
Total Expenditures	<u>138,376</u>	<u>167,761</u>	<u>371,669</u>	<u>677,806</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(9,199)</u>	<u>(22,242)</u>	<u>27,832</u>	<u>(3,609)</u>
<b>Other Financing Sources (Uses):</b>				
Transfers in	440	22,320	1,173	23,933
Transfers out	—	(150)	—	(150)
Land and building sale	—	—	—	—
Total Other Financing Sources (Uses)	<u>440</u>	<u>22,170</u>	<u>1,173</u>	<u>23,783</u>
Net Changes in Fund Balances	<u>(8,759)</u>	<u>(72)</u>	<u>29,005</u>	<u>20,174</u>
Fund Balances, July 1, 2018	<u>24,423</u>	<u>315</u>	<u>78,366</u>	<u>103,104</u>
Fund Balances, June 30, 2019	<u>\$ 15,664</u>	<u>\$ 243</u>	<u>\$ 107,371</u>	<u>\$ 123,278</u>

See accompanying independent auditor's report.



**Debt Service**

<b>Tax Override</b>	<b>Capital Services</b>	<b>Total</b>
\$ —	\$ 577	\$ 577
—	—	—
8	787	795
8	1,364	1,372
—	—	—
—	—	—
—	—	—
—	—	—
—	15,430	15,430
—	9,079	9,079
—	—	—
—	—	—
—	24,509	24,509
8	(23,145)	(23,137)
—	16,086	16,086
—	—	—
—	—	—
—	16,086	16,086
8	(7,059)	(7,051)
401	40,630	41,031
<b>\$ 409</b>	<b>\$ 33,571</b>	<b>\$ 33,980</b>

(Continued)

LOS ANGELES UNIFIED SCHOOL DISTRICT  
 Nonmajor Governmental Funds  
 Combining Statement of Revenues, Expenditures, and Changes in Fund Balances (Continued)  
 Year Ended June 30, 2019  
 (in thousands)

	<b>Capital</b>			
	<b>Building</b>	<b>Capital Facilities Account</b>	<b>State School Building Lease – Purchase</b>	<b>County School Facilities Bonds</b>
<b>Revenues:</b>				
Federal revenues	\$ —	\$ —	\$ —	\$ —
Other state revenues	—	—	—	4,142
Other local revenues	849	87,503	247	3,885
Total Revenues	<u>849</u>	<u>87,503</u>	<u>247</u>	<u>8,027</u>
<b>Expenditures:</b>				
<b>Current:</b>				
Certificated salaries	—	—	—	—
Classified salaries	—	532	—	77
Employee benefits	—	273	—	56
Books and supplies	—	3	—	—
Services and other operating expenditures	—	832	—	271
Capital outlay	—	131,002	—	30,420
Debt service – principal	—	—	—	—
Debt service – bond, COPS, and capital leases interest	—	—	—	—
Other outgo	—	—	—	—
Transfers of indirect costs – interfund	—	—	—	—
Total Expenditures	<u>—</u>	<u>132,642</u>	<u>—</u>	<u>30,824</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>849</u>	<u>(45,139)</u>	<u>247</u>	<u>(22,797)</u>
<b>Other Financing Sources (Uses):</b>				
Transfers in	—	—	—	3,131
Transfers out	—	(34,805)	—	(82,761)
Land and building sale	—	—	—	—
Total Other Financing Sources (Uses)	<u>—</u>	<u>(34,805)</u>	<u>—</u>	<u>(79,630)</u>
Net Changes in Fund Balances	<u>849</u>	<u>(79,944)</u>	<u>247</u>	<u>(102,427)</u>
Fund Balances, July 1, 2018	<u>9,474</u>	<u>237,115</u>	<u>5,696</u>	<u>242,300</u>
Fund Balances, June 30, 2019	<u>\$ 10,323</u>	<u>\$ 157,171</u>	<u>\$ 5,943</u>	<u>\$ 139,873</u>

See accompanying independent auditor's report.

**Projects**

<b>Special Reserve – Community Redevelopment Agency</b>	<b>Special Reserve</b>	<b>Special Reserve – FEMA – Earthquake</b>	<b>Special Reserve – FEMA – Hazard Mitigation</b>	<b>Total</b>	<b>Total Nonmajor Governmental Funds</b>
\$ —	\$ 2,475	\$ —	\$ —	\$ 2,475	\$ 389,325
—	1,375	—	—	5,517	275,321
38,348	12,265	71	45	143,213	162,128
<u>38,348</u>	<u>16,115</u>	<u>71</u>	<u>45</u>	<u>151,205</u>	<u>826,774</u>
—	—	—	—	—	104,491
205	1,811	4	—	2,629	174,094
88	852	2	—	1,271	194,739
—	320	—	—	323	164,670
374	2,798	9	—	4,284	16,894
—	5,276	25	—	166,723	167,948
—	—	—	—	—	15,509
—	—	—	—	—	9,079
—	—	—	—	—	48
—	—	—	—	—	30,073
<u>667</u>	<u>11,057</u>	<u>40</u>	<u>—</u>	<u>175,230</u>	<u>877,545</u>
<u>37,681</u>	<u>5,058</u>	<u>31</u>	<u>45</u>	<u>(24,025)</u>	<u>(50,771)</u>
—	118	—	—	3,249	43,268
(20,000)	(4,734)	—	—	(142,300)	(142,450)
—	998	—	—	998	998
<u>(20,000)</u>	<u>(3,618)</u>	<u>—</u>	<u>—</u>	<u>(138,053)</u>	<u>(98,184)</u>
17,681	1,440	31	45	(162,078)	(148,955)
60,681	77,860	3,408	2,129	638,663	782,798
<u>\$ 78,362</u>	<u>\$ 79,300</u>	<u>\$ 3,439</u>	<u>\$ 2,174</u>	<u>\$ 476,585</u>	<u>\$ 633,843</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, 2019  
(in thousands)

	<b>Adult Education</b>			<b>Variance with Final Budget – Favorable (Unfavorable)</b>
	<b>Budget</b>		<b>Actual</b>	
	<b>Original</b>	<b>Final</b>		
Revenues:				
Federal revenues	\$ 13,113	\$ 16,811	\$ 16,666	\$ (145)
Other state revenues	103,048	108,478	108,156	(322)
Other local revenues	4,123	4,190	4,355	165
Total Revenues	<u>120,284</u>	<u>129,479</u>	<u>129,177</u>	<u>(302)</u>
Expenditures:				
Current:				
Certificated salaries	56,089	63,110	60,959	2,151
Classified salaries	16,203	17,648	17,077	571
Employee benefits	37,337	44,334	41,437	2,897
Books and supplies	27,553	16,388	6,290	10,098
Services and other operating expenditures	3,662	6,227	6,225	2
Capital outlay	—	1,352	1,225	127
Debt Service – principal	—	—	—	—
Other outgo	—	48	48	—
Transfers of indirect costs – interfund	5,669	5,259	5,115	144
Total Expenditures	<u>146,513</u>	<u>154,366</u>	<u>138,376</u>	<u>15,990</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(26,229)</u>	<u>(24,887)</u>	<u>(9,199)</u>	<u>15,688</u>
Other Financing Sources (Uses):				
Transfers in	—	480	440	(40)
Transfers out	—	—	—	—
Total Other Financing Sources (Uses)	<u>—</u>	<u>480</u>	<u>440</u>	<u>(40)</u>
Net Changes in Fund Balances	<u>(26,229)</u>	<u>(24,407)</u>	<u>(8,759)</u>	<u>15,648</u>
Fund Balances, July 1, 2018	<u>26,256</u>	<u>24,423</u>	<u>24,423</u>	<u>—</u>
Fund Balances, June 30, 2019	<u>\$ 27</u>	<u>\$ 16</u>	<u>\$ 15,664</u>	<u>\$ 15,648</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		
\$ 4,860	\$ 4,641	\$ 5,432	\$ 791	\$ 384,764	\$ 365,085	\$ 364,175	\$ (910)
122,633	133,831	137,247	3,416	25,595	24,458	24,401	(57)
2,046	2,718	2,840	122	9,491	10,708	10,925	217
<u>129,539</u>	<u>141,190</u>	<u>145,519</u>	<u>4,329</u>	<u>419,850</u>	<u>400,251</u>	<u>399,501</u>	<u>(750)</u>
40,593	43,542	43,532	10	—	—	—	—
50,090	52,754	52,063	691	93,963	104,712	102,325	2,387
57,110	58,461	58,411	50	90,048	96,086	93,620	2,466
4,780	5,258	2,850	2,408	189,713	164,689	155,207	9,482
3,053	3,038	2,885	153	3,932	3,952	3,500	452
—	—	—	—	92	99	—	99
238	79	79	—	—	—	—	—
—	—	—	—	—	—	—	—
7,793	7,952	7,941	11	18,294	17,895	17,017	878
<u>163,657</u>	<u>171,084</u>	<u>167,761</u>	<u>3,323</u>	<u>396,042</u>	<u>387,433</u>	<u>371,669</u>	<u>15,764</u>
(34,118)	(29,894)	(22,242)	7,652	23,808	12,818	27,832	15,014
33,804	29,887	22,320	(7,567)	1,188	1,196	1,173	(23)
—	(150)	(150)	—	—	—	—	—
<u>33,804</u>	<u>29,737</u>	<u>22,170</u>	<u>(7,567)</u>	<u>1,188</u>	<u>1,196</u>	<u>1,173</u>	<u>(23)</u>
(314)	(157)	(72)	85	24,996	14,014	29,005	14,991
315	315	315	—	69,058	78,366	78,366	—
<u>\$ 1</u>	<u>\$ 158</u>	<u>\$ 243</u>	<u>\$ 85</u>	<u>\$ 94,054</u>	<u>\$ 92,380</u>	<u>\$ 107,371</u>	<u>\$ 14,991</u>

(Continued)

LOS ANGELES UNIFIED SCHOOL DISTRICT

Special Revenue Funds

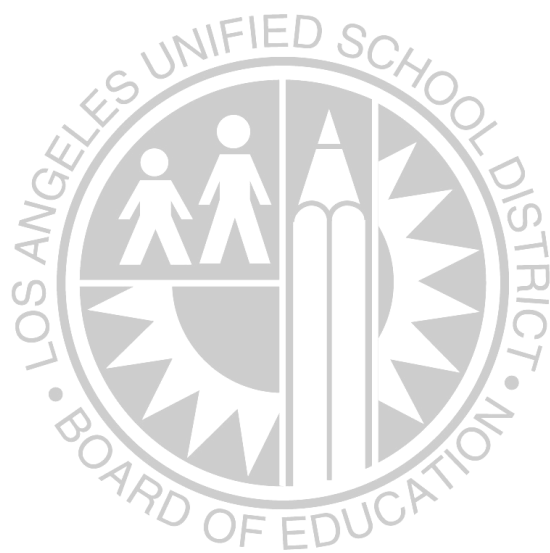
Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual (Continued)

Year Ended June 30, 2019

(in thousands)

	<b>Total</b>			<b>Variance with Final Budget – Favorable (Unfavorable)</b>
	<b>Budget</b>		<b>Actual</b>	
	<b>Original</b>	<b>Final</b>		
<b>Revenues:</b>				
Federal revenues	\$ 402,737	\$ 386,537	\$ 386,273	\$ (264)
Other state revenues	251,276	266,767	269,804	3,037
Other local revenues	15,660	17,616	18,120	504
Total Revenues	<u>669,673</u>	<u>670,920</u>	<u>674,197</u>	<u>3,277</u>
<b>Expenditures:</b>				
<b>Current:</b>				
Certificated salaries	96,682	106,652	104,491	2,161
Classified salaries	160,256	175,114	171,465	3,649
Employee benefits	184,495	198,881	193,468	5,413
Books and supplies	222,046	186,335	164,347	21,988
Services and other operating expenditures	10,647	13,217	12,610	607
Capital outlay	92	1,451	1,225	226
Debt Service – principal	238	79	79	—
Other outgo	—	48	48	—
Transfers of indirect costs – interfund	31,756	31,106	30,073	1,033
Total Expenditures	<u>706,212</u>	<u>712,883</u>	<u>677,806</u>	<u>35,077</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(36,539)</u>	<u>(41,963)</u>	<u>(3,609)</u>	<u>38,354</u>
<b>Other Financing Sources (Uses):</b>				
Transfers in	34,992	31,563	23,933	(7,630)
Transfers out	—	(150)	(150)	—
Total Other Financing Sources (Uses)	<u>34,992</u>	<u>31,413</u>	<u>23,783</u>	<u>(7,630)</u>
Net Changes in Fund Balances	<u>(1,547)</u>	<u>(10,550)</u>	<u>20,174</u>	<u>30,724</u>
Fund Balances, July 1, 2018	<u>95,629</u>	<u>103,104</u>	<u>103,104</u>	<u>—</u>
Fund Balances, June 30, 2019	<u>\$ 94,082</u>	<u>\$ 92,554</u>	<u>\$ 123,278</u>	<u>\$ 30,724</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, 2019  
(in thousands)

	<b>Tax Override</b>			<b>Variance with Final Budget – Favorable (Unfavorable)</b>
	<b>Budget</b>		<b>Actual</b>	
	<b>Original</b>	<b>Final</b>		
Revenues:				
Federal revenues	\$ —	\$ —	\$ —	\$ —
Other local revenues	—	—	8	8
Total Revenues	<u>—</u>	<u>—</u>	<u>8</u>	<u>8</u>
Expenditures:				
Debt service – principal	—	—	—	—
Debt service – bond, COPs, and capital leases interest	398	401	—	401
Total Expenditures	<u>398</u>	<u>401</u>	<u>—</u>	<u>401</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(398)</u>	<u>(401)</u>	<u>8</u>	<u>409</u>
Other Financing Sources (Uses):				
Transfers in	—	—	—	—
Total Other Financing Sources	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Net Changes in Fund Balances	<u>(398)</u>	<u>(401)</u>	<u>8</u>	<u>409</u>
Fund Balances, July 1, 2018	<u>398</u>	<u>401</u>	<u>401</u>	<u>—</u>
Fund Balances, June 30, 2019	<u><u>\$ —</u></u>	<u><u>\$ —</u></u>	<u><u>\$ 409</u></u>	<u><u>\$ 409</u></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		
\$ 574	\$ 577	\$ 577	\$ —	\$ 574	\$ 577	\$ 577	\$ —
660	760	787	27	660	760	795	35
<u>1,234</u>	<u>1,337</u>	<u>1,364</u>	<u>27</u>	<u>1,234</u>	<u>1,337</u>	<u>1,372</u>	<u>35</u>
15,430	15,430	15,430	—	15,430	15,430	15,430	—
9,706	10,444	9,079	1,365	10,104	10,845	9,079	1,766
<u>25,136</u>	<u>25,874</u>	<u>24,509</u>	<u>1,365</u>	<u>25,534</u>	<u>26,275</u>	<u>24,509</u>	<u>1,766</u>
<u>(23,902)</u>	<u>(24,537)</u>	<u>(23,145)</u>	<u>1,392</u>	<u>(24,300)</u>	<u>(24,938)</u>	<u>(23,137)</u>	<u>1,801</u>
<u>25,063</u>	<u>17,079</u>	<u>16,086</u>	<u>(993)</u>	<u>25,063</u>	<u>17,079</u>	<u>16,086</u>	<u>(993)</u>
<u>25,063</u>	<u>17,079</u>	<u>16,086</u>	<u>(993)</u>	<u>25,063</u>	<u>17,079</u>	<u>16,086</u>	<u>(993)</u>
1,161	(7,458)	(7,059)	399	763	(7,859)	(7,051)	808
40,765	40,630	40,630	—	41,163	41,031	41,031	—
<u>\$ 41,926</u>	<u>\$ 33,172</u>	<u>\$ 33,571</u>	<u>\$ 399</u>	<u>\$ 41,926</u>	<u>\$ 33,172</u>	<u>\$ 33,980</u>	<u>\$ 808</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, 2019  
 (in thousands)

	<b>Building</b>			<b>Variance with Final Budget – Favorable (Unfavorable)</b>
	<b>Budget</b>		<b>Actual</b>	
	<b>Original</b>	<b>Final</b>		
Revenues:				
Federal revenues	\$ —	\$ —	\$ —	\$ —
Other state revenues	—	—	—	—
Other local revenues	776	776	849	73
Total Revenues	<u>776</u>	<u>776</u>	<u>849</u>	<u>73</u>
Expenditures:				
Current:				
Classified salaries	—	—	—	—
Employee benefits	—	—	—	—
Books and supplies	—	—	—	—
Services and other operating expenditures	—	—	—	—
Capital outlay	776	50	—	50
Total Expenditures	<u>776</u>	<u>50</u>	<u>—</u>	<u>50</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>—</u>	<u>726</u>	<u>849</u>	<u>123</u>
Other Financing Sources (Uses):				
Transfers in	—	—	—	—
Transfers out	—	—	—	—
Land and building sale	—	—	—	—
Total Other Financing Sources (Uses)	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Net Changes in Fund Balances	—	726	849	123
Fund Balances, July 1, 2018	9,845	9,474	9,474	—
Fund Balances, June 30, 2019	<u>\$ 9,845</u>	<u>\$ 10,200</u>	<u>\$ 10,323</u>	<u>\$ 123</u>

See accompanying independent auditor's report.

<b>Capital Facilities Account</b>				<b>State School Building Lease – Purchase</b>			
<b>Budget</b>		<b>Actual</b>	<b>Variance with Final Budget – Favorable (Unfavorable)</b>	<b>Budget</b>		<b>Actual</b>	<b>Variance with Final Budget – Favorable (Unfavorable)</b>
<b>Original</b>	<b>Final</b>			<b>Original</b>	<b>Final</b>		
\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
—	—	—	—	—	—	—	—
83,800	83,800	87,503	3,703	—	—	247	247
83,800	83,800	87,503	3,703	—	—	247	247
516	3,169	532	2,637	—	—	—	—
240	1,354	273	1,081	—	—	—	—
34	1,974	3	1,971	—	—	—	—
3,263	143,940	832	143,108	—	—	—	—
64,948	131,003	131,002	1	5,474	5,696	—	5,696
69,001	281,440	132,642	148,798	5,474	5,696	—	5,696
14,799	(197,640)	(45,139)	152,501	(5,474)	(5,696)	247	5,943
—	—	—	—	—	—	—	—
—	(34,805)	(34,805)	—	—	—	—	—
—	—	—	—	—	—	—	—
—	(34,805)	(34,805)	—	—	—	—	—
14,799	(232,445)	(79,944)	152,501	(5,474)	(5,696)	247	5,943
251,906	237,115	237,115	—	5,474	5,696	5,696	—
<b>\$ 266,705</b>	<b>\$ 4,670</b>	<b>\$ 157,171</b>	<b>\$ 152,501</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ 5,943</b>	<b>\$ 5,943</b>

(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, 2019  
 (in thousands)

	<b>County School Facilities Bonds</b>			<b>Variance with Final Budget – Favorable (Unfavorable)</b>
	<b>Budget</b>		<b>Actual</b>	
	<b>Original</b>	<b>Final</b>		
Revenues:				
Federal revenues	\$ —	\$ —	\$ —	\$ —
Other state revenues	16,691	16,691	4,142	(12,549)
Other local revenues	3,974	3,974	3,885	(89)
Total Revenues	<u>20,665</u>	<u>20,665</u>	<u>8,027</u>	<u>(12,638)</u>
Expenditures:				
Current:				
Classified salaries	—	1,671	77	1,594
Employee benefits	—	842	56	786
Books and supplies	25	9,872	—	9,872
Services and other operating expenditures	2,848	18,740	271	18,469
Capital outlay	45,616	30,420	30,420	—
Total Expenditures	<u>48,489</u>	<u>61,545</u>	<u>30,824</u>	<u>30,721</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(27,824)</u>	<u>(40,880)</u>	<u>(22,797)</u>	<u>18,083</u>
Other Financing Sources (Uses):				
Transfers in	—	3,130	3,131	1
Transfers out	—	(82,761)	(82,761)	—
Land and building sale	—	—	—	—
Total Other Financing Sources (Uses)	<u>—</u>	<u>(79,631)</u>	<u>(79,630)</u>	<u>1</u>
Net Changes in Fund Balances	<u>(27,824)</u>	<u>(120,511)</u>	<u>(102,427)</u>	<u>18,084</u>
Fund Balances, July 1, 2018	<u>222,613</u>	<u>242,300</u>	<u>242,300</u>	<u>—</u>
Fund Balances, June 30, 2019	<u>\$ 194,789</u>	<u>\$ 121,789</u>	<u>\$ 139,873</u>	<u>\$ 18,084</u>

See accompanying independent auditors' report.

<b>Special Reserve – Community Redevelopment Agency</b>				<b>Special Reserve</b>			
<b>Budget</b>		<b>Actual</b>	<b>Variance with Final Budget – Favorable (Unfavorable)</b>	<b>Budget</b>		<b>Actual</b>	<b>Variance with Final Budget – Favorable (Unfavorable)</b>
<b>Original</b>	<b>Final</b>			<b>Original</b>	<b>Final</b>		
\$ —	\$ —	\$ —	\$ —	\$ 3,322	\$ 3,322	\$ 2,475	\$ (847)
—	—	—	—	2,851	3,263	1,375	(1,888)
31,000	31,000	38,348	7,348	17,459	18,052	12,265	(5,787)
31,000	31,000	38,348	7,348	23,632	24,637	16,115	(8,522)
234	266	205	61	2,430	3,640	1,811	1,829
105	117	88	29	793	1,622	852	770
242	217	—	217	794	547	320	227
427	427	374	53	61	9,194	2,798	6,396
156	94	—	94	19,780	46,061	5,276	40,785
1,164	1,121	667	454	23,858	61,064	11,057	50,007
29,836	29,879	37,681	7,802	(226)	(36,427)	5,058	41,485
—	—	—	—	—	118	118	—
(20,000)	(20,000)	(20,000)	—	(10)	(4,736)	(4,734)	2
—	—	—	—	—	31,557	998	(30,559)
(20,000)	(20,000)	(20,000)	—	(10)	26,939	(3,618)	(30,557)
9,836	9,879	17,681	7,802	(236)	(9,488)	1,440	10,928
60,724	60,681	60,681	—	68,608	77,860	77,860	—
\$ 70,560	\$ 70,560	\$ 78,362	\$ 7,802	\$ 68,372	\$ 68,372	\$ 79,300	\$ 10,928

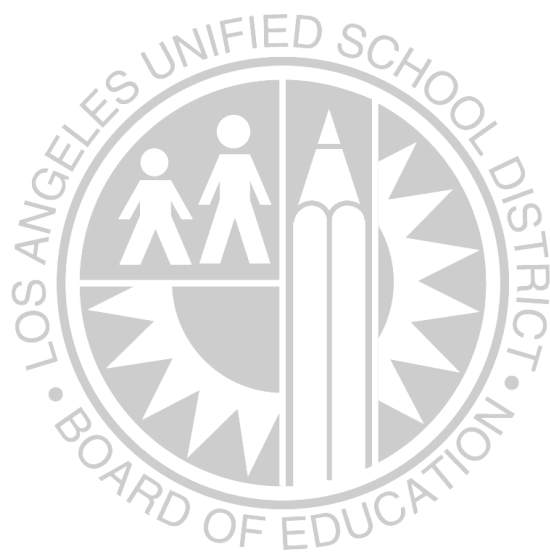
(Continued)

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, 2019  
 (in thousands)

	<b>Special Reserve – FEMA – Earthquake</b>			<b>Variance with Final Budget – Favorable (Unfavorable)</b>
	<b>Budget</b>		<b>Actual</b>	
	<b>Original</b>	<b>Final</b>		
Revenues:				
Federal revenues	\$ —	\$ —	\$ —	\$ —
Other state revenues	—	—	—	—
Other local revenues	—	—	71	71
Total Revenues	<u>—</u>	<u>—</u>	<u>71</u>	<u>71</u>
Expenditures:				
Current:				
Classified salaries	—	7	4	3
Employee benefits	—	3	2	1
Books and supplies	—	—	—	—
Services and other operating expenditures	—	15	9	6
Capital outlay	1,666	1,654	25	1,629
Total Expenditures	<u>1,666</u>	<u>1,679</u>	<u>40</u>	<u>1,639</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(1,666)</u>	<u>(1,679)</u>	<u>31</u>	<u>1,710</u>
Other Financing Sources (Uses):				
Transfers in	—	—	—	—
Transfers out	—	—	—	—
Land and building sale	—	—	—	—
Total Other Financing Sources (Uses)	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Net Changes in Fund Balances	(1,666)	(1,679)	31	1,710
Fund Balances, July 1, 2018	3,391	3,408	3,408	—
Fund Balances, June 30, 2019	<u>\$ 1,725</u>	<u>\$ 1,729</u>	<u>\$ 3,439</u>	<u>\$ 1,710</u>

See accompanying independent auditors' report.

<b>Special Reserve – FEMA – Hazard Mitigation</b>				<b>Total</b>			
<b>Budget</b>		<b>Actual</b>	<b>Variance with Final Budget – Favorable (Unfavorable)</b>	<b>Budget</b>		<b>Actual</b>	<b>Variance with Final Budget – Favorable (Unfavorable)</b>
<b>Original</b>	<b>Final</b>			<b>Original</b>	<b>Final</b>		
\$ —	\$ —	\$ —	\$ —	\$ 3,322	\$ 3,322	\$ 2,475	\$ (847)
—	—	—	—	19,542	19,954	5,517	(14,437)
—	—	45	45	137,009	137,602	143,213	5,611
—	—	45	45	159,873	160,878	151,205	(9,673)
—	—	—	—	3,180	8,753	2,629	6,124
—	—	—	—	1,138	3,938	1,271	2,667
—	—	—	—	1,095	12,610	323	12,287
—	—	—	—	6,599	172,316	4,284	168,032
—	—	—	—	138,416	214,978	166,723	48,255
—	—	—	—	150,428	412,595	175,230	237,365
—	—	45	45	9,445	(251,717)	(24,025)	227,692
—	—	—	—	—	3,248	3,249	1
—	—	—	—	(20,010)	(142,302)	(142,300)	2
—	—	—	—	—	31,557	998	(30,559)
—	—	—	—	(20,010)	(107,497)	(138,053)	(30,556)
—	—	45	45	(10,565)	(359,214)	(162,078)	197,136
2,127	2,129	2,129	—	624,688	638,663	638,663	—
<b>\$ 2,127</b>	<b>\$ 2,129</b>	<b>\$ 2,174</b>	<b>\$ 45</b>	<b>\$ 614,123</b>	<b>\$ 279,449</b>	<b>\$ 476,585</b>	<b>\$ 197,136</b>





## **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, 2019  
(in thousands)

	<b>Health and Welfare Benefits</b>	<b>Workers' Compensation Self-Insurance</b>	<b>Liability Self-Insurance</b>	<b>Total</b>
Assets:				
Cash in county treasury, in banks, and on hand	\$ 334,798	\$ 547,082	\$ 142,218	\$ 1,024,098
Accounts receivable – net	29,277	—	—	29,277
Accrued interest and dividends receivable	2,243	2,948	493	5,684
Prepays	50,757	—	—	50,757
Other assets	5,045	—	—	5,045
Total Assets	<u>422,120</u>	<u>550,030</u>	<u>142,711</u>	<u>1,114,861</u>
Deferred Outflows of Resources	<u>1,733</u>	<u>2,389</u>	<u>1,235</u>	<u>5,357</u>
Liabilities:				
Current:				
Vouchers and accounts payable	1,841	1,897	1,628	5,366
Accrued payroll	245	392	266	903
Other payables	33,921	—	40	33,961
Estimated liability for self-insurance claims	22,009	96,886	80,271	199,166
Total Current Liabilities	<u>58,016</u>	<u>99,175</u>	<u>82,205</u>	<u>239,396</u>
Noncurrent:				
Estimated liability for self-insurance claims	—	345,767	58,069	403,836
Net other postemployment benefits liability	6,337	8,936	4,252	19,525
Net pension liability	4,412	6,189	3,179	13,780
Total Noncurrent Liabilities	<u>10,749</u>	<u>360,892</u>	<u>65,500</u>	<u>437,141</u>
Total Liabilities	<u>68,765</u>	<u>460,067</u>	<u>147,705</u>	<u>676,537</u>
Deferred Inflows of Resources	<u>1,636</u>	<u>2,206</u>	<u>1,110</u>	<u>4,952</u>
Total Net Position – Unrestricted	<u>\$ 353,452</u>	<u>\$ 90,146</u>	<u>\$ (4,869)</u>	<u>\$ 438,729</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, 2019  
(in thousands)

	<b>Health and Welfare Benefits</b>	<b>Workers' Compensation Self-Insurance</b>	<b>Liability Self-Insurance</b>	<b>Total</b>
Operating Revenues:				
In-District premiums	\$ 1,095,559	\$ 136,194	\$ 52,298	\$ 1,284,051
Others	8,441	—	—	8,441
Total Operating Revenues	<u>1,104,000</u>	<u>136,194</u>	<u>52,298</u>	<u>1,292,492</u>
Operating Expenses:				
Certificated salaries	—	—	238	238
Classified salaries	2,409	3,353	1,764	7,526
Employee benefits *	(310)	101	(35)	(244)
Supplies	225	10	11	246
Premiums and claims expenses	1,060,790	85,111	50,798	1,196,699
Claims administration	3,237	14,403	375	18,015
Other contracted services	1,082	428	392	1,902
Total Operating Expenses	<u>1,067,433</u>	<u>103,406</u>	<u>53,543</u>	<u>1,224,382</u>
Operating Income (Loss)	<u>36,567</u>	<u>32,788</u>	<u>(1,245)</u>	<u>68,110</u>
Nonoperating Revenues (Expenses):				
Investment income	7,886	11,027	2,343	21,256
Miscellaneous expense	—	(47)	—	(47)
Total Nonoperating Revenues	<u>7,886</u>	<u>10,980</u>	<u>2,343</u>	<u>21,209</u>
Changes in Net Position	44,453	43,768	1,098	89,319
Total Net Position, July 1, 2018	<u>308,999</u>	<u>46,378</u>	<u>(5,967)</u>	<u>349,410</u>
Total Net Position, June 30, 2019	<u>\$ 353,452</u>	<u>\$ 90,146</u>	<u>\$ (4,869)</u>	<u>\$ 438,729</u>

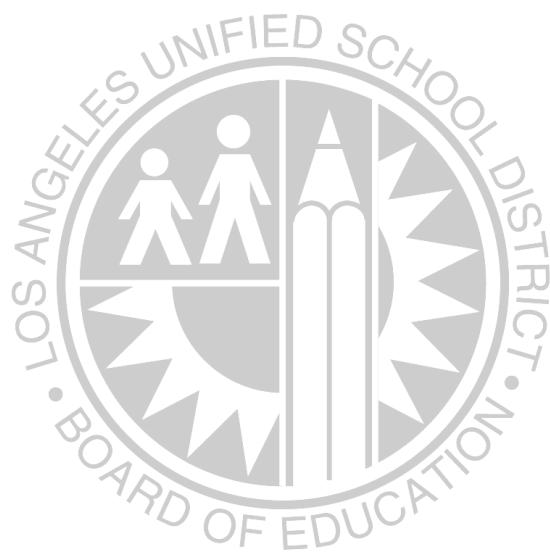
\* The District's implementation of a more cost-effective health care plan decreased the net OPEB liability that has an outright impact of reducing the current OPEB expense by \$5.7 million.

See accompanying independent auditor's report.

LOS ANGELES UNIFIED SCHOOL DISTRICT  
Internal Service Funds  
Combining Statement of Cash Flows  
Year Ended June 30, 2019  
(in thousands)

	<b>Health and Welfare Benefits</b>	<b>Workers' Compensation Self-Insurance</b>	<b>Liability Self-Insurance</b>	<b>Total</b>
Cash Flows from Operating Activities:				
Cash payments to employees for services	\$ (3,734)	\$ (5,051)	\$ (2,907)	\$ (11,692)
Cash payments for goods and services	(1,082,695)	(112,808)	(51,259)	(1,246,762)
Receipts from assessment to other funds	1,095,559	136,194	52,298	1,284,051
Other operating revenue	8,441	—	—	8,441
Net Cash Provided (Used) by Operating Activities	<u>17,571</u>	<u>18,335</u>	<u>(1,868)</u>	<u>34,038</u>
Cash Flows from Investing Activities:				
Earnings on investments	7,862	10,926	2,425	21,213
Net Cash Provided by Investing Activities	<u>7,862</u>	<u>10,926</u>	<u>2,425</u>	<u>21,213</u>
Net Increase (Decrease) in Cash and Cash Equivalents	25,433	29,261	557	55,251
Cash and Cash Equivalents, July 1	<u>309,365</u>	<u>517,821</u>	<u>141,661</u>	<u>968,847</u>
Cash and Cash Equivalents, June 30	<u>\$ 334,798</u>	<u>\$ 547,082</u>	<u>\$ 142,218</u>	<u>\$ 1,024,098</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:				
Operating Income (Loss)	\$ 36,567	\$ 32,788	\$ (1,245)	\$ 68,110
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	(1,644)	(1,662)	(986)	(4,292)
Change in Assets: Decrease (Increase)				
Accounts receivable	(4,835)	—	—	(4,835)
Prepays	(1,726)	—	389	(1,337)
Other assets	1,071	—	—	1,071
Change in Liabilities: Increase (Decrease)				
Vouchers and accounts payable	(1,438)	(105)	1,545	2
Accrued payroll	10	66	45	121
Other payables	(6,645)	—	(11)	(6,656)
Estimated liability for self-insurance claims – current	(3,789)	4,979	(10,233)	(9,043)
Estimated liability for self-insurance claims – noncurrent	—	(17,731)	8,628	(9,103)
Total Adjustments	<u>(18,996)</u>	<u>(14,453)</u>	<u>(623)</u>	<u>(34,072)</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 17,571</u>	<u>\$ 18,335</u>	<u>\$ (1,868)</u>	<u>\$ 34,038</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. In June 2017, all remaining amounts in the fund were distributed to members in accordance with a side letter agreement with UTLA. There has been no fiscal activity in the fund in fiscal year 2018-19.

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.

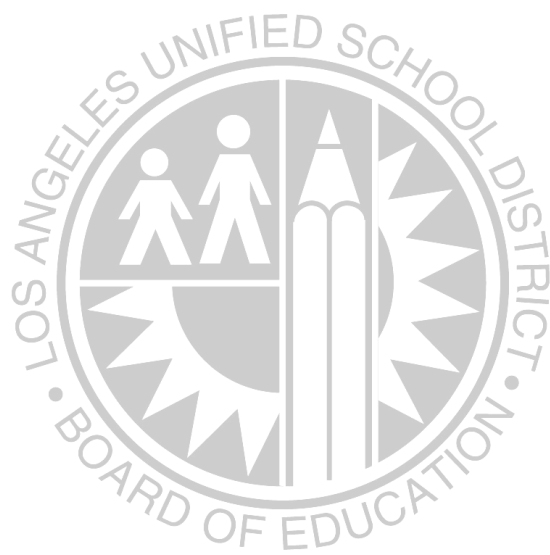




LOS ANGELES UNIFIED SCHOOL DISTRICT  
Fiduciary Funds – Agency Funds  
Combining Statement of Changes in Assets and Liabilities  
Year Ended June 30, 2019  
(in thousands)

	<u>Balance</u> <u>June 30, 2018</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2019</u>
<b><u>Payroll Agency Fund</u></b>				
Assets				
Cash in county treasury, in banks, and on hand	\$ 102,272	\$ 7,651,022	\$ 7,629,699	\$ 123,595
Total Assets	<u>\$ 102,272</u>	<u>\$ 7,651,022</u>	<u>\$ 7,629,699</u>	<u>\$ 123,595</u>
Liabilities				
Other payables	\$ 102,272	\$ 7,651,022	\$ 7,629,699	\$ 123,595
Total Liabilities	<u>\$ 102,272</u>	<u>\$ 7,651,022</u>	<u>\$ 7,629,699</u>	<u>\$ 123,595</u>
<b><u>Student Body Fund</u></b>				
Assets				
Cash in county treasury, in banks, and on hand	\$ 27,954	\$ 51,560	\$ 50,379	\$ 29,135
Total Assets	<u>\$ 27,954</u>	<u>\$ 51,560</u>	<u>\$ 50,379</u>	<u>\$ 29,135</u>
Liabilities				
Other payables	\$ 27,954	\$ 51,560	\$ 50,379	\$ 29,135
Total Liabilities	<u>\$ 27,954</u>	<u>\$ 51,560</u>	<u>\$ 50,379</u>	<u>\$ 29,135</u>
<b><u>Total Agency Funds</u></b>				
Assets				
Cash in county treasury, in banks, and on hand	\$ 130,226	\$ 7,702,582	\$ 7,680,078	\$ 152,730
Total Assets	<u>\$ 130,226</u>	<u>\$ 7,702,582</u>	<u>\$ 7,680,078</u>	<u>\$ 152,730</u>
Liabilities				
Other payables	\$ 130,226	\$ 7,702,582	\$ 7,680,078	\$ 152,730
Total Liabilities	<u>\$ 130,226</u>	<u>\$ 7,702,582</u>	<u>\$ 7,680,078</u>	<u>\$ 152,730</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		
2009-2010	\$ 451,127,882	\$ 23,849,409	\$ 474,977,291	1.151809	\$ 187,493	0.04 %	576,963 <sup>a</sup>	\$ 823
2010-2011	442,092,473	21,753,078	463,845,551	1.186954	(11,131,740)	(2.34)	565,450 <sup>a</sup>	820
2011-2012	447,830,204	21,265,021	469,095,225	1.168187	5,249,674	1.13	547,592 <sup>a</sup>	857
2012-2013	458,767,053	21,308,439	480,075,492	1.175606	10,980,267	2.34	534,345 <sup>a</sup>	898
2013-2014	482,043,584	21,634,336	503,677,920	1.146439	23,602,428	4.92	527,995 <sup>bc</sup>	954 <sup>c</sup>
2014-2015	510,371,502	22,562,705	532,934,207	1.146881	29,256,287	5.81	516,229 <sup>c</sup>	1,032 <sup>c</sup>
2015-2016	546,807,059	23,362,405	570,169,464	1.129709	37,235,257	6.99	503,367 <sup>c</sup>	1,133
2016-2017	581,473,213	24,495,794	605,969,007	1.131096	35,799,543	6.28	491,856 <sup>c</sup>	1,232 <sup>c</sup>
2017-2018	619,162,082	25,342,665	644,504,747	1.122192	38,535,740	6.36	478,456 <sup>c</sup>	1,347 <sup>c</sup>
2018-2019	665,355,078	27,377,547	692,732,625	1.123226	48,227,878	7.48	454,165	1,525

\* 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

<sup>a</sup> 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.

<sup>b</sup> 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).

<sup>c</sup> Adjustments were due to additional attendance data for non-public students, corrected attendance reports for District students, and/or audit findings.

See accompanying independent auditor's report.

LOS ANGELES UNIFIED SCHOOL DISTRICT  
Largest Local Secured Taxpayers  
Current Year and Nine Years Ago  
(in thousands)

2019				2010			
Rank	Property Owner	Assessed Valuation	% of Total <sup>(1)</sup>	Property Owner	Assessed Valuation	% of Total <sup>(2)</sup>	
1	Douglas Emmett LLC	\$ 2,845,817	0.43%	Douglas Emmett Realty Funds	\$ 2,373,947	0.53%	
2	Universal Studios LLC	2,727,878	0.41	Universal Studios LLC	1,381,886	0.31	
3	Essex Portfolio LP	1,565,352	0.23	Anheuser Busch Inc.	964,997	0.21	
4	FSP South Flower Street Associates LLC	928,173	0.14	Deutsche Bank National Trust	735,197	0.16	
5	Rochelle H. Sterling	812,754	0.12	One Hundred Towers LLC	579,015	0.13	
6	Anheuser Busch Inc.	741,604	0.11	U.S. Bank National Association Trust	565,592	0.13	
7	One Hundred Towers LLC	652,593	0.10	Donald T. Sterling	556,538	0.12	
8	Century City Mall LLC	652,069	0.10	Duesenberg Investment Company	489,916	0.11	
9	Trizec 333 LA LLC	640,992	0.10	Century City Mall LLC	457,234	0.10	
10	Maguire Partners 355 S. Grand LLC	599,460	0.09	Taubman-Beverly Center	457,142	0.10	
11	BRE HH Property Owner LLC	594,660	0.09	Topanga Plaza LP	445,320	0.10	
12	Tishman Speyer Archstone Smith	575,649	0.09	Paramount Pictures Corp.	439,520	0.10	
13	Olympic and Georgia Partners LLC	561,051	0.08	Trizec 333 LA LLC	410,000	0.09	
14	Palmer Flower Street Properties	538,236	0.08	Next Century Associates LLC	384,442	0.09	
15	LA Live Properties LLC	538,067	0.08	Rreef America REIT II Corp.	378,851	0.08	
16	Greenland LA Metropolis	536,750	0.08	Twentieth Century Fox Film Corp.	376,928	0.08	
17	Paramount Pictures Corp.	535,011	0.08	Watson Land Company	359,081	0.08	
18	Maguire Properties 555 W. Fifth	525,638	0.08	2121 Avenue of the Stars LLC	359,000	0.08	
19	CJDB LLC, Lessor	516,560	0.08	Maguire Properties Two Cal Plaza	356,000	0.08	
20	2 Cal Land LA Owner LLC, Lessor	513,582	0.08	Trizec 601 Figueroa LLC	355,000	0.08	
		<u>\$ 17,601,896</u>	<u>2.65%</u>		<u>\$ 12,425,606</u>	<u>2.76%</u>	

<sup>(1)</sup> 2018-19 Local Secured Assessed Valuation: \$665,221,511

<sup>(2)</sup> 2009-10 Local Secured Assessed Valuation: \$451,053,085

Source: California Municipal Statistics, Inc.

See accompanying independent auditor's report.

LOS ANGELES UNIFIED SCHOOL DISTRICT  
Property Tax Levies and Collections  
Last Ten Fiscal Years  
(in thousands)  
(Unaudited)

<b>Fiscal Year</b>	<b>Total Tax Levy</b>	<b>ERAF Funds <sup>(1)</sup></b>	<b>Current Tax Collections</b>	<b>Percent of Current Taxes Collected</b>	<b>Delinquent Tax Collections <sup>(2)</sup></b>	<b>Total Tax Collections</b>	<b>Ratio of Total Tax Collections to Total Tax Levy</b>
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
2018-2019	2,134,918	234,519	2,347,069	99.06	61,128	2,408,197	101.64

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

<sup>(2)</sup> 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.

LOS ANGELES UNIFIED SCHOOL DISTRICT  
Average Daily Attendance  
Annual Report  
Last Ten Fiscal Years  
(unaudited)

	<u>2009-2010</u>	<u>2010-2011</u>	<u>2011-2012</u>	<u>2012-2013</u>
Elementary:				
Kindergarten	43,906	43,364	43,737	42,093
Grades 1-3	134,001	130,846	127,081	120,880
Grades 4-6	127,455	124,800	119,257	111,082
Grades 7-8	82,465	78,704	73,733	68,461
Special Education	19,204	19,250	18,522	17,966
County Special Education	1	1	1	1
Opportunity Schools	7	7	8	8
Home or Hospital	118	127	107	118
Community Day Schools	126	85	94	103
County Community Schools	21	11	15	8
Total Elementary	<u>407,304</u>	<u>397,195</u>	<u>382,555</u>	<u>360,720</u>
Secondary:				
Regular Classes	146,707	143,979	135,549	129,037
Special Education	10,960	11,252	10,709	10,513
County Special Education	1	—	1	—
Compulsory Continuation Education	3,339	3,507	3,602	3,623
Opportunity Schools	492	494	506	492
Home or Hospital	99	98	101	101
Community Day Schools	915	911	933	852
County Community Schools	240	148	137	175
Total Secondary	<u>162,753</u>	<u>160,389</u>	<u>151,538</u>	<u>144,793</u>
Block grant funded fiscally affiliated charters	<u>6,906</u>	<u>7,866</u>	<u>13,499</u>	<u>28,832</u>
Total Block Grant Funded Fiscally Affiliated Charters	<u>6,906</u>	<u>7,866</u>	<u>13,499</u>	<u>28,832</u>
Total Average Daily Attendance	<u><u>576,963</u></u>	<u><u>565,450</u></u>	<u><u>547,592</u></u>	<u><u>534,345</u></u>

See accompanying independent auditor's report and notes to supplementary information.

(Continued)



LOS ANGELES UNIFIED SCHOOL DISTRICT  
Average Daily 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>	<u>2018-2019</u>
District:						
Kindergarten-Grade 3	168,252.87 *	163,499.69 *	158,998.06 *	155,262.38 *	149,159.23 *	141,953.63
Grades 4-6	114,524.59 *	112,259.91 *	111,544.08 *	109,051.67 *	106,991.46 *	100,567.53
Grades 7-8	71,438.68 *	68,537.63 *	65,595.68 *	64,118.24 *	62,320.95 *	60,556.48
Grades 9-12	133,466.36 *	131,352.82 *	127,103.24 *	121,861.09 *	119,420.69 *	111,847.37
Total District	<u>487,682.50</u>	<u>475,650.05</u>	<u>463,241.06</u>	<u>450,293.38</u>	<u>437,892.33</u>	<u>414,925.01</u>
County:						
Kindergarten-Grade 3	0.00	0.00	0.00	0.00	0.00	0.00
Grades 4-6	1.23	1.38	1.23	0.00	0.00	0.00
Grades 7-8	7.85	5.12	3.18	2.71	2.42	3.70
Grades 9-12	670.05	628.23	489.84	417.13	354.29	339.53
Total County	<u>679.13</u>	<u>634.73</u>	<u>494.25</u>	<u>419.84</u>	<u>356.71</u>	<u>343.23</u>
Affiliated Charter Schools:						
Kindergarten-Grade 3	16,012.86	15,913.38	15,866.33	15,792.20	15,299.81	13,308.87
Grades 4-6	10,393.49	10,505.83	10,545.58	10,552.33	10,475.03	9,219.18
Grades 7-8	5,758.33	6,070.36	6,000.47	6,037.96	5,916.09	5,766.96
Grades 9-12	7,468.47	7,454.27	7,219.75	8,760.14	8,516.49	10,601.95
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>	<u>38,896.96</u>
Total Average Daily Attendance	<u>527,994.78</u>	<u>516,228.62</u>	<u>503,367.44</u>	<u>491,855.85</u>	<u>478,456.46</u>	<u>454,165.20</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).

\* Adjustments were due to additional attendance data for non-public students, corrected attendance reports for District students, and/or audit findings.

See accompanying independent auditor's report and notes to supplementary information.

LOS ANGELES UNIFIED SCHOOL DISTRICT

Organization Structure  
 Year Ended June 30, 2019  
 (unaudited)

**Geographical Location:** The Los Angeles Unified School District is a political subdivision of the State of California. It is located in the western section of Los Angeles County and includes most of the City of Los Angeles, all the Cities of Cudahy, Gardena, Huntington Park, Lomita, Maywood, San Fernando, Vernon, and West Hollywood, and portions of the Cities of Bell, Bell Gardens, Beverly Hills, Calabasas, Carson, Commerce, Culver City, Hawthorne, Inglewood, Long Beach, Lynwood, Montebello, Monterey Park, Rancho Palos Verdes, Santa Clarita, South Gate, and Torrance, in addition to considerable unincorporated territories devoted to homes and industry.

**Geographical Area:** 710 square miles

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

**Form of Government:** The District is governed by a seven-member Board of Education elected by voters within the district to serve alternating five-year terms. The term was extended in 2015 by Charter Amendment 2.

<u>Name</u>	<u>Board District</u>	<u>Expiration of Term</u>
Richard Vladovic, President	7	December 13, 2020
George McKenna	1	December 13, 2020
Mónica García	2	December 11, 2022
Scott Schmerelson	3	December 13, 2020
Nick Melvoin	4	December 11, 2022
Jackie Goldberg	5	December 13, 2020
Kelly Gonez	6	December 11, 2022

<u>Name</u>	<u>Title</u>
Austin Beutner	Superintendent of Schools
Megan Reilly	Deputy Superintendent, Business Services and Operations
David Baca	Chief of Schools, Local District Support
Hilda Maldonado	Associate Superintendent
Alison Y. Towery	Interim Chief Academic Officer
Veronica Arreguin	Chief Strategy Officer
Tony Aguilar	Chief Special Education, Equity and Access
Mark Hovatter	Chief Facilities Executive
Luis Buendia	Interim Chief Financial Officer
Soheil Katal	Interim Chief Information Officer
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

<b>Number of Schools:</b> (As of October)	<u>2015-2016</u>	<u>2016-2017</u>	<u>2017-2018</u>	<u>2018-2019</u>
Elementary Schools	451	449	448	445
Middle/Junior High Schools	83	82	82	81
Senior High Schools	97	95	94	94
Options Schools	54	54	54	54
Special Education Schools	15	14	14	14
Magnet Schools	43	47	49	54
Magnet Centers	156	168	177	203
Community Adult Schools	2	2	2	2
Regional Occupational Centers	6	6	6	6
Skills Centers	2	3	3	3
Early Education Centers	86	86	86	86
Infant Centers	4	4	4	4
Primary School Centers	18	19	19	19
Multi-level Schools	23	24	25	24
<b>Total Schools and Centers</b>	<u>1,040</u>	<u>1,053</u>	<u>1,063</u>	<u>1,089</u>
<b>Independent Charter Schools</b>	<u>221</u>	<u>225</u>	<u>224</u>	<u>225</u>

See accompanying independent auditor's report.

LOS ANGELES UNIFIED SCHOOL DISTRICT  
Schedule of Average Daily Attendance  
Year Ended June 30, 2019

	<u>Second Period Report</u>	<u>Annual Report</u>	<u>Audited Second Period Report</u>	<u>Audited Annual Report</u>
District				
Kindergarten-Grade 3	140,497.61	141,953.63	140,491.07 *	141,947.84 *
Grades 4-6	100,050.76	100,567.53	100,050.76	100,567.53
Grades 7-8	60,214.47	60,556.48	60,214.47	60,556.48
Grades 9-12	111,671.58	111,847.37	111,671.58	111,847.37
Total District	<u>412,434.42</u>	<u>414,925.01</u>	<u>412,427.88</u>	<u>414,919.22</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	2.84	3.70	2.84	3.70
Grades 9-12	342.90	339.53	342.90	339.53
Total County	<u>345.74</u>	<u>343.23</u>	<u>345.74</u>	<u>343.23</u>
Affiliated Charter Schools				
Kindergarten-Grade 3	13,241.09	13,308.87	13,241.09	13,308.87
Grades 4-6	9,180.84	9,219.18	9,180.84	9,219.18
Grades 7-8	5,747.57	5,766.96	5,747.57	5,766.96
Grades 9-12	10,601.25	10,601.95	10,601.25	10,601.95
Total Affiliated Charter Schools	<u>38,770.75</u>	<u>38,896.96</u>	<u>38,770.75</u>	<u>38,896.96</u>
Total Average Daily Attendance	<u>451,550.91</u>	<u>454,165.20</u>	<u>451,544.37</u>	<u>454,159.41</u>

\* Adjustments based on audit finding S-2019-003.

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, 2019

		<b>TK/K to Grade 3 ADA</b>				
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	427.31	427.73	427.31	427.73
2	Beckford Charter for Enriched Studies	19 64733 6015986	375.60	376.95	375.60	376.95
3	Calabash Charter Academy	19 64733 6016240	280.66	282.79	280.66	282.79
4	Calvert Charter for Enriched Studies	19 64733 6016265	228.67	229.36	228.67	229.36
5	Canyon Charter School	19 64733 6016323	248.80	250.84	248.80	250.84
6	Carpenter Community Charter School	19 64733 6016356	636.35	641.05	636.35	641.05
7	Castlebay Lane School	19 64733 6071435	451.99	455.00	451.99	455.00
8	Chatsworth Charter High School	19 64733 1931708	0.00	0.00	0.00	0.00
9	Cleveland (Grover) Charter High School	19 64733 1931864	0.00	0.00	0.00	0.00
10	Colfax Charter Elementary School	19 64733 6016862	414.50	416.98	414.50	416.98
11	Community Magnet Charter Elementary School	19 64733 6094726	253.01	254.34	253.01	254.34
12	Dearborn Elementary Charter Academy	19 64733 6016729	352.45	354.20	352.45	354.20
13	Dixie Canyon Community Charter School	19 64733 6016778	501.45	504.53	501.45	504.53
14	El Oro Way Charter For Enriched Studies	19 64733 6016869	294.74	297.33	294.74	297.33
15	Emerson Community Charter School	19 64733 6057988	0.00	0.00	0.00	0.00
16	Enadia Way Technology Charter	19 64733 01117036	166.18	166.19	166.18	166.19
17	Encino Charter Elementary School	19 64733 6016935	371.38	373.53	371.38	373.53
18	Hale (George Ellery) Charter Academy	19 64733 6061477	0.00	0.00	0.00	0.00
19	Hamlin Charter Academy	19 64733 6017438	222.28	222.91	222.28	222.91
20	Haynes Charter For Enriched Studies	19 64733 6017529	261.21	262.32	261.21	262.32
21	Hesby Oaks Leadership Charter	19 64733 0112060	201.85	203.30	201.85	203.30
22	Justice Street Academy Charter School	19 64733 6017693	243.16	244.27	243.16	244.27
23	Kenter Canyon Charter	19 64733 6017701	350.10	352.05	350.10	352.05
24	Knollwood Preparatory Academy	19 64733 6017743	268.26	269.04	268.26	269.04
25	Lockhurst Drive Charter Elementary	19 64733 6017891	321.76	322.23	321.76	322.23
26	Marquez Charter School	19 64733 6018063	316.11	318.25	316.11	318.25
27	Millikan (Robert A.) Middle School, Performing Arts Magnet & Science Academy Stem School	19 64733 6058150	0.00	0.00	0.00	0.00
28	Nestle Avenue Charter School	19 64733 6018287	321.45	322.37	321.45	322.37
29	Nobel (Alred B.) Charter Middle School	19 64733 6061543	0.00	0.00	0.00	0.00
30	Open Charter Magnet School	19 64733 6097927	244.56	246.12	244.56	246.12
31	Palisades Charter Elementary	19 64733 6018634	304.10	306.44	304.10	306.44
32	Plainview Academic Charter Academy	19 64733 6018725	163.07	163.27	163.07	163.27
33	Pomelo Community Charter School	19 64733 6018774	384.36	386.83	384.36	386.83
34	Reseda High School	19 64733 1937226	0.00	0.00	0.00	0.00
35	Revere (Paul) Charter Middle School	19 64733 6058267	0.00	0.00	0.00	0.00
36	Riverside Elementary Charter School	19 64733 6018923	352.72	352.78	352.72	352.78
37	Serrania Avenue Charter School for Enriched Studies	19 64733 6019111	438.93	441.41	438.93	441.41
38	Sherman Oaks Elementary Charter School	19 64733 6019186	535.68	537.87	535.68	537.87
39	Superior Street Elementary	19 64733 6019392	289.96	291.09	289.96	291.09
40	Sylmar Charter High School	19 64733 1938554	0.00	0.00	0.00	0.00
41	Taft Charter High School	19 64733 1938612	0.00	0.00	0.00	0.00
42	Topanga Elementary Charter School	19 64733 6019525	184.62	185.88	184.62	185.88
43	Topeka Charter School For Advanced Studies	19 64733 6019533	368.85	371.09	368.85	371.09
44	University High School Charter	19 64733 1938885	0.00	0.00	0.00	0.00
45	Van Gogh Charter School	19 64733 6019673	283.71	285.18	283.71	285.18
46	Welby Way Charter and Gifted/High-Ability Magnet Center Elementary School	19 64733 6019855	461.54	463.91	461.54	463.91
47	Westwood Charter School	19 64733 6019939	548.34	552.43	548.34	552.43
48	Wilbur Charter For Enriched Academics	19 64733 6019954	410.99	413.02	410.99	413.02
49	Woodlake Elementary Community Charter	19 64733 6020036	350.24	351.13	350.24	351.13
50	Woodland Hills Elementary Charter For Enriched Studies	19 64733 6020044	410.15	412.86	410.15	412.86
Total Affiliated Charter Schools Average Daily Attendance			<u>13,241.09</u>	<u>13,308.87</u>	<u>13,241.09</u>	<u>13,308.87</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
166.21	166.00	166.21	166.00	0.00	0.00	0.00	0.00
193.38	194.34	193.38	194.34	0.00	0.00	0.00	0.00
118.26	119.50	118.26	119.50	0.00	0.00	0.00	0.00
117.99	118.93	117.99	118.93	0.00	0.00	0.00	0.00
124.25	125.33	124.25	125.33	0.00	0.00	0.00	0.00
302.12	303.63	302.12	303.63	0.00	0.00	0.00	0.00
243.00	244.09	243.00	244.09	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
200.80	201.31	200.80	201.31	0.00	0.00	0.00	0.00
172.14	172.93	172.14	172.93	0.00	0.00	0.00	0.00
157.33	158.06	157.33	158.06	0.00	0.00	0.00	0.00
181.77	182.78	181.77	182.78	0.00	0.00	0.00	0.00
139.64	140.78	139.64	140.78	0.00	0.00	0.00	0.00
164.29	164.87	164.29	164.87	369.97	371.72	369.97	371.72
72.38	72.44	72.38	72.44	0.00	0.00	0.00	0.00
187.17	187.76	187.17	187.76	0.00	0.00	0.00	0.00
634.10	634.20	634.10	634.20	1,347.75	1,349.99	1,347.75	1,349.99
81.22	81.59	81.22	81.59	0.00	0.00	0.00	0.00
116.82	117.74	116.82	117.74	0.00	0.00	0.00	0.00
178.32	179.33	179.32	179.33	125.71	126.05	125.71	126.05
113.31	113.91	113.31	113.91	0.00	0.00	0.00	0.00
169.91	170.72	169.91	170.72	0.00	0.00	0.00	0.00
106.74	107.11	106.74	107.11	0.00	0.00	0.00	0.00
125.42	125.63	125.42	125.63	0.00	0.00	0.00	0.00
161.84	164.13	161.84	164.13	0.00	0.00	0.00	0.00
582.06	582.35	582.06	582.35	1,088.99	1,090.32	1,088.99	1,090.32
174.78	174.95	174.78	174.95	0.00	0.00	0.00	0.00
762.73	764.61	762.73	764.61	1,509.15	1,516.97	1,509.15	1,516.97
129.68	130.54	129.68	130.54	0.00	0.00	0.00	0.00
161.68	162.79	161.68	162.79	0.00	0.00	0.00	0.00
112.77	113.10	112.77	113.10	0.00	0.00	0.00	0.00
177.40	178.24	177.40	178.24	0.00	0.00	0.00	0.00
0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
645.98	649.06	645.98	649.06	1,306.00	1,311.91	1,306.00	1,311.91
173.16	173.62	173.16	173.62	0.00	0.00	0.00	0.00
176.88	177.59	176.88	177.59	0.00	0.00	0.00	0.00
219.20	219.91	219.20	219.91	0.00	0.00	0.00	0.00
156.16	156.48	156.16	156.48	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
79.55	80.52	79.55	80.52	0.00	0.00	0.00	0.00
181.82	182.81	181.82	182.81	0.00	0.00	0.00	0.00
0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
153.82	153.78	153.82	153.78	0.00	0.00	0.00	0.00
306.84	308.29	306.84	308.29	0.00	0.00	0.00	0.00
225.25	227.48	225.25	227.48	0.00	0.00	0.00	0.00
173.81	174.51	173.81	174.51	0.00	0.00	0.00	0.00
155.68	156.99	155.68	156.99	0.00	0.00	0.00	0.00
203.18	204.45	203.18	204.45	0.00	0.00	0.00	0.00
<u>9,180.84</u>	<u>9,219.18</u>	<u>9,180.84</u>	<u>9,219.18</u>	<u>5,747.57</u>	<u>5,766.96</u>	<u>5,747.57</u>	<u>5,766.96</u>

(Continued)

LOS ANGELES UNIFIED SCHOOL DISTRICT  
Schedule of Average Daily Attendance – Affiliated Charter Schools (Continued)  
Year Ended June 30, 2019

		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	Calvert Charter for Enriched Studies	19 64733 6016265	0.00	0.00	0.00	0.00
5	Canyon Charter School	19 64733 6016323	0.00	0.00	0.00	0.00
6	Carpenter Community Charter School	19 64733 6016356	0.00	0.00	0.00	0.00
7	Castlebay Lane School	19 64733 6071435	0.00	0.00	0.00	0.00
8	Chatsworth Charter High School	19 64733 1931708	1,578.66	1,571.26	1,578.66	1,571.26
9	Cleveland (Grover) Charter High School	19 64733 1931864	2,854.84	2,861.38	2,854.84	2,861.38
10	Colfax Charter Elementary School	19 64733 6016562	0.00	0.00	0.00	0.00
11	Community Magnet Charter Elementary School	19 64733 6094726	0.00	0.00	0.00	0.00
12	Dearborn Elementary Charter Academy	19 64733 6016729	0.00	0.00	0.00	0.00
13	Dixie Canyon Community Charter School	19 64733 6016778	0.00	0.00	0.00	0.00
14	El Oro Way Charter For Enriched Studies	19 64733 6016869	0.00	0.00	0.00	0.00
15	Emerson Community Charter School	19 64733 6057988	0.00	0.00	0.00	0.00
16	Enadia Way Technology Charter	19 64733 01117036	0.00	0.00	0.00	0.00
17	Encino Charter Elementary School	19 64733 6016935	0.00	0.00	0.00	0.00
18	Hale (George Ellery) Charter Academy	19 64733 6061477	0.00	0.00	0.00	0.00
19	Hamlin Charter Academy	19 64733 6017438	0.00	0.00	0.00	0.00
20	Haynes Charter For Enriched Studies	19 64733 6017529	0.00	0.00	0.00	0.00
21	Hesby Oaks Leadership Charter	19 64733 0112060	0.00	0.00	0.00	0.00
22	Justice Street Academy Charter School	19 64733 6017693	0.00	0.00	0.00	0.00
23	Kenter Canyon Charter	19 64733 6017701	0.00	0.00	0.00	0.00
24	Knollwood Preparatory Academy	19 64733 6017743	0.00	0.00	0.00	0.00
25	Lockhurst Drive Charter Elementary	19 64733 6017891	0.00	0.00	0.00	0.00
26	Marquez Charter School	19 64733 6018063	0.00	0.00	0.00	0.00
27	Millikan (Robert A.) Middle School, Performing Arts Magnet & Science Academy Stem School	19 64733 6058150	0.00	0.00	0.00	0.00
28	Nestle Avenue Charter School	19 64733 6018287	0.00	0.00	0.00	0.00
29	Nobel (Alred B.) Charter Middle School	19 64733 6061543	0.00	0.00	0.00	0.00
30	Open Charter Magnet School	19 64733 6097927	0.00	0.00	0.00	0.00
31	Palisades Charter Elementary	19 64733 6018634	0.00	0.00	0.00	0.00
32	Plainview Academic Charter Academy	19 64733 6018725	0.00	0.00	0.00	0.00
33	Pomelo Community Charter School	19 64733 6018774	0.00	0.00	0.00	0.00
34	Reseda High School	19 64733 1937226	1,230.05	1,228.28	1,230.05	1,228.28
35	Revere (Paul) Charter Middle School	19 64733 6058267	0.00	0.00	0.00	0.00
36	Riverside Elementary Charter School	19 64733 6018923	0.00	0.00	0.00	0.00
37	Serrania Avenue Charter School for Enriched Studies	19 64733 6019111	0.00	0.00	0.00	0.00
38	Sherman Oaks Elementary Charter School	19 64733 6019186	0.00	0.00	0.00	0.00
39	Superior Street Elementary	19 64733 6019392	0.00	0.00	0.00	0.00
40	Sylmar Charter High School	19 64733 1938554	1,408.93	1,412.70	1,408.93	1,412.70
41	Taft Charter High School	19 64733 1938612	2,145.82	2,149.77	2,145.82	2,149.77
42	Topanga Elementary Charter School	19 64733 6019525	0.00	0.00	0.00	0.00
43	Topeka Charter School For Advanced Studies	19 64733 6019533	0.00	0.00	0.00	0.00
44	University High School Charter	19 64733 1938885	1,382.95	1,378.56	1,382.95	1,378.56
45	Van Gogh Charter School	19 64733 6019673	0.00	0.00	0.00	0.00
46	Welby Way Charter and Gifted/High-Ability Magnet Center Elementary School	19 64733 6019855	0.00	0.00	0.00	0.00
47	Westwood Charter School	19 64733 6019939	0.00	0.00	0.00	0.00
48	Wilbur Charter For Enriched Academics	19 64733 6019954	0.00	0.00	0.00	0.00
49	Woodlake Elementary Community Charter	19 64733 6020036	0.00	0.00	0.00	0.00
50	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>10,601.25</u>	<u>10,601.95</u>	<u>10,601.25</u>	<u>10,601.95</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
593.52	593.73	593.52	593.73
568.98	571.29	568.98	571.29
398.92	402.29	398.92	402.29
346.66	348.29	346.66	348.29
373.05	376.17	373.05	376.17
938.47	944.68	938.47	944.68
694.99	699.09	694.99	699.09
1,578.66	1,571.26	1,578.66	1,571.26
2,854.84	2,861.38	2,854.84	2,861.38
615.30	618.29	615.30	618.29
425.15	427.27	425.15	427.27
509.78	512.26	509.78	512.26
683.22	687.31	683.22	687.31
434.38	438.11	434.38	438.11
534.26	536.59	534.26	536.59
238.56	238.63	238.56	238.63
558.55	561.29	558.55	561.29
1,981.85	1,984.19	1,981.85	1,984.19
303.50	304.50	303.50	304.50
378.03	380.06	378.03	380.06
505.88	508.68	505.88	508.68
356.47	358.18	356.47	358.18
520.01	522.77	520.01	522.77
375.00	376.15	375.00	376.15
447.18	447.86	447.18	447.86
477.95	482.38	477.95	482.38
1,671.05	1,672.67	1,671.05	1,672.67
496.23	497.32	496.23	497.32
2,271.88	2,281.58	2,271.88	2,281.58
374.24	376.66	374.24	376.66
465.78	469.23	465.78	469.23
275.84	276.37	275.84	276.37
561.76	565.07	561.76	565.07
1,230.05	1,228.28	1,230.05	1,228.28
1,951.98	1,960.97	1,951.98	1,960.97
525.88	526.40	525.88	526.40
615.81	619.00	615.81	619.00
754.88	757.78	754.88	757.78
446.12	447.57	446.12	447.57
1,408.93	1,412.70	1,408.93	1,412.70
2,145.82	2,149.77	2,145.82	2,149.77
264.17	266.40	264.17	266.40
550.67	553.90	550.67	553.90
1,382.95	1,378.56	1,382.95	1,378.56
437.53	438.96	437.53	438.96
768.38	772.20	768.38	772.20
773.59	779.91	773.59	779.91
584.80	587.53	584.80	587.53
505.92	508.12	505.92	508.12
613.33	617.31	613.33	617.31
<u>38,770.75</u>	<u>38,896.96</u>	<u>38,770.75</u>	<u>38,896.96</u>

LOS ANGELES UNIFIED SCHOOL DISTRICT  
Schedule of Instructional Time Offered  
Year Ended June 30, 2019

<b>Grade Level</b>	<b>1986-1987 Minutes Requirements</b>	<b>2018-19 Actual Minutes Offered <sup>(3)</sup></b>	<b>Number of Days Traditional Calendar</b>	<b>Complied with Instructional Minutes and Days Provisions</b>
Kindergarten	36,000	36,000	180	Yes
Grades 1 to 3	50,400	55,100	180	Yes
Grades 4 to 6 <sup>(1)</sup>	54,000	55,100	180	Yes
Grades 7 to 8 <sup>(2)</sup>	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) All District schools offered these minutes at a minimum, except for two schools. One elementary school offered at least 54,900 minutes; one comprehensive high school offered at least 65,100.

Notes:

- 1. All charter schools included in this audit report conformed to the above Schedule of Instructional Time Offered, except for Topanga Elementary Charter. This school had five emergency closure days in November 2018 due to the Woolsey fire. 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.
- 2. LAUSD received incentive funding for increasing instructional time pursuant to the Longer Year/Longer Instructional Day. LAUSD met its LCFF target funding.

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, 2019  
(Dollars in thousands)

	<b>2019-2020 Budgeted</b>	<b>2018-2019 Actual</b>	<b>2017-2018 Actual</b>	<b>2016-2017 Actual</b>	<b>2015-2016 Actual</b>
<b>General Fund:</b>					
Revenues	\$ 7,370,987	\$ 7,732,610	\$ 7,268,645	\$ 7,176,151	\$ 7,161,449
Other Financing Sources	20,000	56,100	39,431	116,118	52,078
Total Revenues and Other Financing Sources	<u>7,390,987</u>	<u>7,788,710</u>	<u>7,308,076</u>	<u>7,292,269</u>	<u>7,213,527</u>
Expenditures	7,810,252	7,542,236	7,007,852	6,758,572	6,633,257
Other Financing Uses	56,452	40,397	54,594	78,735	89,895
Total Expenditures and Other Financing Uses	7,866,704	7,582,633	7,062,446	6,837,307	6,723,152
Change in Fund Balance	(475,717)	206,077	245,630	454,962	490,375
Beginning Fund Balance	2,010,832	2,010,773	1,765,143	1,310,181	819,806
Ending Fund Balance	<u>\$ 1,535,115</u>	<u>\$ 2,216,850</u>	<u>\$ 2,010,773</u>	<u>\$ 1,765,143</u>	<u>\$ 1,310,181</u>
Available Reserves*	<u>\$ 745,218</u>	<u>\$ 984,235</u>	<u>\$ 790,056</u>	<u>\$ 794,680</u>	<u>\$ 319,373</u>
Unassigned Reserve for Economic Uncertainties	<u>\$ 78,967</u>	<u>\$ 75,618</u>	<u>\$ 75,381</u>	<u>\$ 73,411</u>	<u>\$ 72,376</u>
Unassigned Fund Balance	<u>\$ 666,251</u>	<u>\$ 908,617</u>	<u>\$ 714,675</u>	<u>\$ 721,269</u>	<u>\$ 246,997</u>
<b>Available Reserves as a Percentage of Total</b>					
Expenditures and Other Financing Uses	9.47%	12.98%	11.19%	11.62%	4.75%
Total Long-Term Debt	\$ 29,477,828	\$ 29,982,661	\$ 34,273,411	\$ 25,330,454	\$ 24,164,629
Average Daily Attendance (ADA) at P-2	450,474	451,551	478,350	490,598	503,591

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, 2019  
(in thousands)

	<u>General Fund</u>	<u>District Bonds</u>	<u>Other Governmental *</u>
June 30, 2019 Unaudited Actual Financial Reports			
Fund Balances	\$ 2,220,801	\$ 954,589	\$ 638,565
Adjustments:			
To adjust additional Local Control Funding Formula revenue	7,935	—	—
To adjust expenditure accruals	<u>(11,886)</u>	<u>(37,296)</u>	<u>(4,722)</u>
June 30, 2019 Audited Financial Statement			
Fund Balances	<u>\$ 2,216,850</u>	<u>\$ 917,293</u>	<u>\$ 633,843</u>
* The adjustment in the Other Governmental includes the following funds:			
Capital Facilities Account	\$ 4,375		
County School Facilities Bonds	<u>347</u>		
Total Other Governmental Funds	<u>\$ 4,722</u>		

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, 2019

(unaudited)

	<u>State Charter Number</u>	<u>CDS Code</u>	<u>Affiliated</u>	<u>Fiscally Independent</u>	<u>Included in the District Audit</u>
1	Alexander (Dr. Theodore, Jr.) Science Center	0604	19 64733 0102491	x	Yes
2	Beckford Charter for Enriched Studies	1344	19 64733 6015986	x	Yes
3	Calabash Charter Academy	1345	19 64733 6016240	x	Yes
4	Calvert Charter for Enriched Studies	1585	19 64733 6016265	x	Yes
5	Canyon Charter School	0226	19 64733 6016323	x	Yes
6	Carpenter Community Charter School	1235	19 64733 6016356	x	Yes
7	Castlebay Lane School	1477	19 64733 6071435	x	Yes
8	Chatsworth Charter High School	1581	19 64733 1931708	x	Yes
9	Cleveland (Grover) Charter High School	1571	19 64733 1931864	x	Yes
10	Colfax Charter Elementary School	1041	19 64733 6016562	x	Yes
11	Community Magnet Charter Elementary School	0957	19 64733 6094726	x	Yes
12	Dearborn Elementary Charter Academy	1481	19 64733 6016729	x	Yes
13	Dixie Canyon Community Charter School	1469	19 64733 6016778	x	Yes
14	El Oro Way Charter For Enriched Studies	1466	19 64733 6016869	x	Yes
15	Emerson Community Charter School	1688	19 64733 6057988	x	Yes
16	Enadia Way Technology Charter	1474	19 64733 0117036	x	Yes
17	Encino Charter Elementary School	1471	19 64733 6016935	x	Yes
18	Hale (George Ellery) Charter Academy	1346	19 64733 6061477	x	Yes
19	Hamlin Charter Academy	1472	19 64733 6017438	x	Yes
20	Haynes Charter For Enriched Studies	1470	19 64733 6017529	x	Yes
21	Hesby Oaks Leadership Charter	1468	19 64733 0112060	x	Yes
22	Justice Street Academy Charter School	1487	19 64733 6017693	x	Yes
23	Kenter Canyon Charter	0227	19 64733 6017701	x	Yes
24	Knollwood Preparatory Academy	1486	19 64733 6017743	x	Yes
25	Lockhurst Drive Charter Elementary	1478	19 64733 6017891	x	Yes
26	Marquez Charter School	0228	19 64733 6018063	x	Yes
27	Millikan (Robert A.) Middle School, Performing Arts Magnet & Science Academy Stem School	1473	19 64733 6058150	x	Yes
28	Nestle Avenue Charter School	1465	19 64733 6018287	x	Yes
29	Nobel (Alred B.) Charter Middle School	1480	19 64733 6061543	x	Yes
30	Open Charter Magnet School	0012	19 64733 6097927	x	Yes
31	Palisades Charter Elementary	0229	19 64733 6018634	x	Yes
32	Plainview Academic Charter Academy	1435	19 64733 6018725	x	Yes
33	Pomelo Community Charter School	1347	19 64733 6018774	x	Yes
34	Reseda High School	2005	19 64733 1937226	x	Yes
35	Revere (Paul) Charter Middle School	0225	19 64733 6058267	x	Yes
36	Riverside Elementary Charter School	1362	19 64733 6018923	x	Yes
37	Serrania Avenue Charter School for Enriched Studies	1484	19 64733 6019111	x	Yes
38	Sherman Oaks Elementary Charter School	1348	19 64733 6019186	x	Yes
39	Superior Street Elementary	1476	19 64733 6019392	x	Yes
40	Sylmar Charter High School	1834	19 64733 1938554	x	Yes
41	Taft Charter High School	1580	19 64733 1938612	x	Yes
42	Topanga Elementary Charter School	0230	19 64733 6019525	x	Yes
43	Topeka Charter School For Advanced Studies	1475	19 64733 6019533	x	Yes
44	University High School Charter	2006	19 64733 1938885	x	Yes
45	Van Gogh Charter School	1479	19 64733 6019673	x	Yes
46	Welby Way Charter and Gifted/High-Ability Magnet Center Elementary School	1349	19 64733 6019855	x	Yes
47	Westwood Charter School	0031	19 64733 6019939	x	Yes
48	Wilbur Charter For Enriched Academics	1482	19 64733 6019954	x	Yes
49	Woodlake Elementary Community Charter	1483	19 64733 6020036	x	Yes
50	Woodland Hills Elementary Charter For Enriched Studies	1485	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, 2019  
(unaudited)

	<u>State Charter Number</u>	<u>CDS Code</u>	<u>Affiliated</u>	<u>Fiscally Independent</u>	<u>Included in the District Audit</u>
51	Academia Moderna	1101	19 64733 0120097	x	No
52	Academic Performance Excellence Academy (APEX)	1459	19 64733 0117077	x	No
53	Accelerated, The	0045	19 64733 6112536	x	No
54	Accelerated Charter Elementary School (ACES)	0539	19 64733 0100743	x	No
55	Alain Leroy Locke College Preparatory Academy	1050	19 64733 0118588	x	No
56	Alliance Alice M. Baxter College-Ready High	1460	19 64733 0127217	x	No
57	Alliance Cindy and Bill Simon Technology Academy High School	1161	19 64733 0121285	x	No
58	Alliance College-Ready Middle Academy 4	1096	19 64733 0120030	x	No
59	Alliance College-Ready Middle Academy 5	1097	19 64733 0120048	x	No
60	Alliance College-Ready Middle Academy 8	1531	19 64733 0128033	x	No
61	Alliance College-Ready Middle Academy 12	1533	19 64733 0128058	x	No
62	Alliance Collins Family College-Ready High School	0718	19 64733 0108936	x	No
63	Alliance Dr. Olga Mohan High School	0790	19 64733 0111500	x	No
64	Alliance Gertz-Ressler Richard Merkin 6-12 Complex	0645	19 64733 0106864	x	No
65	Alliance Jack H. Skirball Middle School	0779	19 64733 0111518	x	No
66	Alliance Judy Ivie Burton Technology Academy High	0714	19 64733 0108894	x	No
67	Alliance Kory Hunter Middle School	1532	19 64733 0128041	x	No
68	Alliance Leadership Middle Academy	1530	19 64733 0128009	x	No
69	Alliance Leichtman-Levine Family Foundation Environmental Science High	0929	19 64733 0117606	x	No
70	Alliance Marc & Eva Stern Math and Science, (California State University Los Angeles Campus)	0788	19 64733 0111658	x	No
71	Alliance Margaret M. Bloomfield Technology Academy	1356	19 64733 0124941	x	No
72	Alliance Marine - Innovation and Technology 6-12 Complex	1738	19 64733 0132084	x	No
73	Alliance Morgan McKinzie High	0928	19 64733 0116509	x	No
74	Alliance Ouchi-O'Donovan 6-12 Complex	0784	19 64733 0111641	x	No
75	Alliance Patti and Peter Neuwirth Leadership Academy	0789	19 64733 0111492	x	No
76	Alliance Piera Barbaglia Shaheen Health Services Academy	0927	19 64733 0117598	x	No
77	Alliance Renee and Meyer Luskin Academy High School	1343	19 64733 0124891	x	No
78	Alliance Susan and Eric Smidt Technology High School	1163	19 64733 0123133	x	No
79	Alliance Ted K Tajima High	1164	19 64733 0123141	x	No
80	Alliance Tennenbaum Family Technology High School *	1162	19 64733 0121293	x	No
81	Animo College Preparatory Academy (Jordan Campus)	1342	19 64733 0124883	x	No
82	Animo Ellen Ochoa Charter Middle School	1286	19 64733 0123992	x	No
83	Animo Florence-Firestone Charter Middle	1794	19 64733 0134023	x	No
84	Animo Jackie Robinson High School	0793	19 64733 0111583	x	No
85	Animo James B. Taylor Charter Middle School	1287	19 64733 0124008	x	No
86	Animo Jefferson Charter Middle School	1216	19 64733 0122481	x	No
87	Animo Mae Jemison Charter Middle School	1624	19 64733 0129270	x	No
88	Animo Pat Brown High School	0649	19 64733 0106849	x	No
89	Animo Phillis Wheatley Charter Middle School (Clay Campus)*	1289	19 64733 0124024	x	No
90	Animo Ralph Bunche Charter High School	0781	19 64733 0111575	x	No
91	Animo South Los Angeles Charter Senior High	0602	19 64733 0102434	x	No
92	Animo Venice Charter High School	0648	19 64733 0106831	x	No
93	Animo Watts College Preparatory Academy	0783	19 64733 0111625	x	No
94	Animo Western Charter Middle School (Clay Campus) *	1288	19 64733 0124016	x	No
95	Animo Westside Charter Middle School	1217	19 64733 0122499	x	No
96	Ararat Charter School	1156	19 64733 0121079	x	No
97	Arts in Action Community Charter School	1218	19 64733 0123158	x	No
98	Arts in Action Community Middle School	1806	19 64733 0134205	x	No
99	Aspire Centennial College Preparatory Academy	1436	19 64733 0126797	x	No
100	Aspire Firestone Academy *	1214	19 64733 0122622	x	No
101	Aspire Gateway Academy Charter*	1213	19 64733 0122614	x	No
102	Aspire Inskip Academy Charter*	1332	19 64733 0124800	x	No
103	Aspire Juanita Tate Academy Charter*	1331	19 64733 0124792	x	No
104	Aspire Junior Collegiate Academy	1551	19 64733 0114884	x	No
105	Aspire Pacific Academy	1230	19 64733 0122721	x	No
106	Aspire Slauson Academy Charter*	1330	19 64733 0124784	x	No
107	Aspire Titan Academy	1550	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, 2019  
(unaudited)

	<u>State Charter Number</u>	<u>CDS Code</u>	<u>Affiliated</u>	<u>Fiscally Independent</u>	<u>Included in the District Audit</u>
108 Bert Corona Charter High	1724	19 64733 0132126		x	No
109 Bert Corona Charter School	0654	19 64733 0106872		x	No
110 Birmingham Community Charter High School	1119	19 64733 1931047		x	No
111 Bright Star Secondary Charter Academy	0826	19 64733 0112508		x	No
112 California Collegiate Charter	1771	19 64733 0133884		x	No
113 Camino Nuevo Charter Academy (Burlington)	0293	19 64733 6117667		x	No
114 Camino Nuevo Charter Academy 2 (Kayne Siart)	1231	19 64733 0122861		x	No
115 Camino Nuevo Charter Academy 4 (Cisneros) *	1334	19 64733 0124826		x	No
116 Camino Nuevo Charter High School (Miramar)	0635	19 64733 0106435		x	No
117 Camino Nuevo Elementary School 3 (Eisner) *	1212	19 64733 0122564		x	No
118 Camino Nuevo High School 2 (Dalzell Lance)	1540	19 64733 0127910		x	No
119 Celerity Cardinal Charter School	1285	19 64733 0123984		x	No
120 Celerity Nascent Charter School	0716	19 64733 0108910		x	No
121 Celerity Octavia Charter School	1232	19 64733 0122655		x	No
122 Celerity Palmati Charter School	1246	19 64733 0123166		x	No
123 Center for Advanced Learning	0937	19 64733 0115139		x	No
124 Central City Value High School	0534	19 64733 0100800		x	No
125 Charter High School of Arts–Multimedia & Performing School (CHAMPS)	0712	19 64733 0108878		x	No
126 CHIME Institute's Schwarzenegger Community School	0417	19 64733 6119531		x	No
127 Citizens of the World Charter School Hollywood	1200	19 64733 0122556		x	No
128 Citizens of the World 2 (Silver Lake)	1413	19 64733 0126177		x	No
129 Citizens of the World 3 (Mar Vista)	1414	19 64733 0126193		x	No
130 City Language Immersion Charter	1538	19 64733 0127886		x	No
131 Clemente Charter School	1640	19 64733 0129825		x	No
132 Collegiate Charter High School of Los Angeles	1722	19 64733 0131821		x	No
133 Community Preparatory Academy	1656	19 64733 0129874		x	No
134 Crenshaw Arts-Technology Charter High (CATCH)	0570	19 64733 0101659		x	No
135 Crete Academy	1854	19 64733 0135616		x	No
136 Crown Preparatory Academy	1187	19 64733 0121848		x	No
137 Discovery Charter Preparatory School 2	0949	19 64733 0115253		x	No
138 Downtown Value School	0448	19 64733 6119903		x	No
139 Ednovate – Brio College Prep	1843	19 64733 0135723		x	No
140 Ednovate – East College Prep	1702	19 64733 0132282		x	No
141 Ednovate – Esperanza College Prep	1842	19 64733 0135715		x	No
142 Ednovate – USC Hybrid High College Prep	1401	19 64733 0125864		x	No
143 El Camino Real Charter High School	1314	19 64733 1932623		x	No
144 Endeavor College Preparatory Charter School	1094	19 64733 0120014		x	No
145 Equitas Academy Charter	1093	19 64733 0119982		x	No
146 Equitas Academy 2 Charter	1402	19 64733 0126169		x	No
147 Equitas Academy 3 Charter	1669	19 64733 0129650		x	No
148 Equitas Academy 4	1785	19 64733 0133686		x	No
149 Everest Value School	1638	19 64733 0129858		x	No
150 Excellencia Charter Academy	1918	19 64733 0137554		x	No
151 Extera Public School	1300	19 64733 0124198		x	No
152 Extera Public School No. 2	1562	19 64733 0128132		x	No
153 Fenton Avenue Charter School	0030	19 64733 6017016		x	No
154 Fenton Charter Leadership Academy	1613	19 64733 0131722		x	No
155 Fenton Primary Center	0911	19 64733 0115048		x	No
156 Fenton STEM Academy: Elementary Center for Science Technology Engineering and Mathematics	1605	19 64733 0131466		x	No
157 Gabriella Charter	0713	19 64733 0108886		x	No
158 Gabriella Charter 2	1853	19 64733 0135509		x	No
159 Girls Athletic Leadership School Los Angeles	1791	19 64733 0133710		x	No
160 Global Education Academy	0934	19 64733 0114967		x	No
161 Global Education Academy 2	1641	19 64733 0129833		x	No
162 Goethe International Charter School	1036	19 64733 0117978		x	No
163 Granada Hills Charter High School	0572	19 64733 1933746		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, 2019  
(unaudited)

	<u>State Charter Number</u>	<u>CDS Code</u>	<u>Affiliated</u>	<u>Fiscally Independent</u>	<u>Included in the District Audit</u>
164	High Tech Los Angeles	0537	19 64733 0100677	x	No
165	HTLA Middle School	1929	19 64733 0137471		
166	ICEF Innovation Los Angeles Charter	1037	19 64733 0117952	x	No
167	ICEF View Park Preparatory Elementary School	0190	19 64733 6117048	x	No
168	ICEF View Park Preparatory High School	0543	19 64733 0101196	x	No
169	ICEF View Park Preparatory Middle School	0506	19 64733 6121081	x	No
170	ICEF Vista Elementary Academy	1039	19 64733 0117937	x	No
171	ICEF Vista Middle Academy	0953	19 64733 0115287	x	No
172	Ingenium Charter	1157	19 64733 0121137	x	No
173	Ingenium Charter Middle School	1536	19 64733 0127985	x	No
174	Ivy Academia Charter School	0619	19 64733 0106351	x	No
175	Ivy Bound Academy Math, Science, and Technology Charter Middle 2	1570	19 64733 0128389	x	No
176	Ivy Bound Academy of Math, Science, and Technology Charter Middle	0936	19 64733 0115113	x	No
177	James Jordan Middle School	0734	19 64733 0109884	x	No
178	KIPP Academy of Innovation	1586	19 64733 0128512	x	No
179	KIPP Academy of Opportunity	0530	19 64733 0101444	x	No
180	KIPP Comienza Community Preparatory	1196	19 64733 0121707	x	No
181	KIPP Corazon Academy	1855	19 64733 0135517	x	No
182	KIPP Empower Academy	1195	19 64733 0121699	x	No
183	KIPP Ignite Academy	1720	19 64733 0131771	x	No
184	KIPP Iluminar Academy	1508	19 64733 0127670	x	No
185	KIPP Los Angeles College Preparatory	0531	19 64733 0100867	x	No
186	KIPP Philosophers Academy	1378	19 64733 0125609	x	No
187	KIPP Promesa Preparatory	1721	19 64733 0131797	x	No
188	KIPP Raices Academy	1010	19 64733 0117903	x	No
189	KIPP Scholar Academy	1377	19 64733 0125625	x	No
190	KIPP Sol Academy	1379	19 64733 0125641	x	No
191	KIPP Vida Preparatory Academy	1587	19 64733 0129460	x	No
192	Larchmont Charter School	0717	19 64733 0108928	x	No
193	Learning by Design Charter	1959	19 64733 0137513	x	No
194	Libertas College Preparatory Charter	1711	19 64733 0131904	x	No
195	Los Angeles Academy of Arts & Enterprise Charter (LAAAE)	0675	19 64733 0110304	x	No
196	Los Angeles Leadership Academy	0461	19 64733 1996610	x	No
197	Los Angeles Leadership Primary Academy	1333	19 64733 0124818	x	No
198	Los Feliz Charter Middle School for the Arts	1960	19 64733 0137463	x	No
199	Los Feliz Charter School for the Arts	0827	19 64733 0112235	x	No
200	Magnolia Science Academy 4	0986	19 64733 0117622	x	No
201	Magnolia Science Academy 6	0988	19 64733 0117648	x	No
202	Magnolia Science Academy 7	0989	19 64733 0117655	x	No
203	Magnolia Science Academy Bell *	1236	19 64733 0122747	x	No
204	Math and Science College Preparatory	1412	19 64733 0126136	x	No
205	Matrix for Success Academy	1961	19 64733 0137562	x	No
206	Metro Charter School	1535	19 64733 0127977	x	No
207	Monsenor Oscar Romero Charter Middle	0931	19 64733 0114959	x	No
208	Montague Charter Academy for the Arts and Sciences	0115	19 64733 6018204	x	No
209	Multicultural Learning Center	0388	19 64733 6119044	x	No
210	N.E.W. Academy Canoga Park	0592	19 64733 0102483	x	No
211	N.E.W. Academy of Science and Arts	0521	19 64733 0100289	x	No
212	New Designs Charter School	0601	19 64733 0102541	x	No
213	New Designs Charter School – Watts	1120	19 64733 0120071	x	No
214	New Heights Charter School	0761	19 64733 0111211	x	No
215	New Horizons Charter Academy	1567	19 64733 0128371	x	No
216	New Los Angeles Charter School	0998	19 64733 0117614	x	No
217	New Los Angeles Elementary School	1788	19 64733 0133702	x	No
218	New Millennium Secondary School	1020	19 64733 0117911	x	No
219	New Village Girls Academy	0791	19 64733 0111484	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, 2019  
(unaudited)

	State Charter Number	CDS Code	Affiliated	Fiscally Independent	Included in the District Audit
220	Ocean Charter School	0569	19 64733 0102335	x	No
221	Oscar De La Hoya Animo Charter High School	0581	19 64733 0101675	x	No
222	Our Community Charter School	0739	19 64733 0109934	x	No
223	Pacoima Charter Elementary	0583	19 64733 6018642	x	No
224	Palisades Charter High School	0037	19 64733 1995836	x	No
225	Para Los Ninos Charter Middle School	1007	19 64733 0117846	x	No
226	Para Los Ninos Charter School	0475	19 64733 6120489	x	No
227	Para Los Ninos – Evelyn Thurman Gratts Primary Center *	1215	19 64733 0122630	x	No
228	Port of Los Angeles High School	0542	19 64733 0107755	x	No
229	Prepa Tec – Los Angeles	1542	19 64733 0127936	x	No
230	Public Policy Charter	1703	19 64733 0131847	x	No
231	PUC CALS Charter Middle and Early College High School	0331	19 64733 0133298	x	No
232	PUC Community Charter Elementary	1657	19 64733 0129619	x	No
233	PUC Community Charter Middle and PUC Community Charter Early College High	0213	19 64733 6116750	x	No
234	PUC Early College Academy for Leaders and Scholars (ECALS)*	1354	19 64733 0124933	x	No
235	PUC Excel Charter Academy	0798	19 64733 0112201	x	No
236	PUC Inspire Charter Academy	1626	19 64733 0129593	x	No
237	PUC Lakeview Charter Academy	0603	19 64733 0102442	x	No
238	PUC Lakeview Charter High	1241	19 64733 0122606	x	No
239	PUC Milagro Charter	0600	19 64733 0102426	x	No
240	PUC Nueva Esperanza Charter Academy	1092	19 64733 0133280	x	No
241	PUC Santa Rosa Charter Academy	1091	19 64733 0119974	x	No
242	PUC Triumph Charter Academy and PUC Triumph Charter High School	0797	19 64733 0133272	x	No
243	Puente Charter School (ELA Site)	0473	19 64733 6120471	x	No
244	Renaissance Arts Academy	0579	19 64733 0101683	x	No
245	Resolute Academy Charter	1642	19 64733 0131870	x	No
246	Rise Kohyang High School	1786	19 64733 0133868	x	No
247	Rise Kohyang Middle	1315	19 64733 0124222	x	No
248	Santa Monica Boulevard Community Charter School	0446	19 64733 6019079	x	No
249	Stella Elementary Academy	1866	19 64733 0137604	x	No
250	Stella Middle Charter Academy	0535	19 64733 0100669	x	No
251	STEM Prep Elementary	1925	19 64733 0136986	x	No
252	Summit Preparatory Charter	1615	19 64733 0131839	x	No
253	Synergy Charter Academy	0636	19 64733 0106427	x	No
254	Synergy Kinetic Academy *	1014	19 64733 0117895	x	No
255	Synergy Quantum Academy *	1299	19 64733 0124560	x	No
256	TEACH Academy of Technologies	1206	19 64733 0122242	x	No
257	TEACH Preparatory Mildred S. Cunningham & Edith H. Morris Elementary School	2004	19 64733 0138305	x	No
258	TEACH Tech Charter High School	1658	19 64733 0129627	x	No
259	The City School	1710	19 64733 0134148	x	No
260	University Preparatory Value High	1723	19 64733 0132027	x	No
261	Valley Charter Elementary School	1237	19 64733 0122754	x	No
262	Valley Charter Middle School	1238	19 64733 0122838	x	No
263	Valley International Preparatory High	1926	19 64733 0137621	x	No
264	Valor Academy Elementary School	1787	19 64733 0133694	x	No
265	Valor Academy High School	1539	19 64733 0127894	x	No
266	Valor Academy Middle School	1095	19 64733 0120022	x	No
267	Vaughn Next Century Learning Center	0016	19 64733 6019715	x	No
268	Village Charter Academy	1639	19 64733 0129866	x	No
269	Vista Charter Middle School	1234	19 64733 0122739	x	No
270	VOX Collegiate of Los Angeles	1917	19 64733 0137521	x	No
271	Wallis Annenberg High School	0538	19 64733 0100750	x	No
272	Watts Learning Center	0131	19 64733 6114912	x	No
273	Watts Learning Center Charter Middle School	1141	19 64733 0120527	x	No
274	WISH Academy High	1863	19 64733 0135632	x	No
275	WISH Community	1627	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, 2019

### (1) Statistical Data

The statistical data presented on pages 111-113 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 114-115 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, includes the charter school number, 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, 2019

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		\$ 114,769,462	
Child Nutrition School Programs Lunch	10.555	PCA13523/PCA13524		152,332,970	
Child Nutrition School Programs Snack	10.555	PCA13755		4,181	
Donated Food Commodities	10.555	Not Available		20,432,466	
Child Nutrition Summer Food Services Program Operations	10.559	PCA13004		3,011,533	
Child Nutrition Summer Food Services Program Sponsor Administration	10.559	PCA13006		393,605	
Subtotal Expenditures – Child Nutrition Cluster					\$ 290,944,217
Child Nutrition Child Care Food Program Claims	10.558	PCA13529			50,874,296
Child Nutrition Child Care Food Program – Cash in Lieu of Commodities	10.558	PCA13534			3,631,422
Subtotal CFDA 10.558					54,505,718
Child Nutrition Team Nutrition Grants	10.574	PCA15332			16,653
Passed through California Department of Health Services:					
Forest Reserve	10.665	PCA10044		56,006	
Subtotal Expenditures – Forest Service Schools and Roads Cluster					56,006
Subtotal Pass-Through Program					345,522,594
Total U.S. Department of Agriculture					345,522,594
U.S. Department of Defense:					
Reserve Officer Training Corps Vitalization Act	12.unknown	Not Available			1,917,055
Startalk: Exploring Arabic Through Technology Startalk Whatsapp, let's connect!	12.900	H98230-19-1-0085			14,068
Visual Arts and Photography	12.900	H98230-17-1-0125			77,457
Subtotal Direct Programs					2,008,580
Total U.S. Department of Defense					2,008,580
U.S. Department of Housing & Urban Development:					
Passed through City of Carson:					
Carson Guidance – Community Development Block Grants (CDBG)	14.218	MOU		15,863	
Subtotal Expenditures – CDBG Entitlement Grants Cluster					15,863
Subtotal Pass-Through Program					15,863
Total U.S. Department of Housing and Urban Development					15,863
U.S. Department of Labor:					
Youth Career Connect Program	17.274	YC-25413-14-60-A-6			743,512
Subtotal Direct Program					743,512
Passed through Catholic Charities of Los Angeles:					
Youth Build	17.274	C4400005521			156,325
Passed through Employment Development Department:					
Employment Development Department Trade Act: Trade Adjustment Assistance (TAA)	17.245	Various			190,287
Passed through City of Los Angeles:					
Workforce Innovation and Opportunity Act (WIOA) – Worksource Educational Partnership – Adult	17.258	C-133113		163,587	
WIOA – T-1 Youth Source System	17.259	C-133269		1,227,884	
Passed through City of Hawthorne:					
WIOA – I-TRAIN – Harbor	17.258	16-0174-0-1-504		368	
Passed through Para Los Ninos:					
WIOA – Youth	17.259	C-131975-L18		83,461	
Subtotal Expenditures – WIOA Cluster					1,475,300
Subtotal Pass-Through Programs					1,821,912
Total U.S. Department of Labor					2,565,424
U.S. Department of Transportation:					
Active Transportation Program	20.205	ATPLNI-6508(001)		46,429	
Subtotal Expenditures – Highway Planning and Construction Cluster					46,429
Subtotal Direct Program					46,429
Total U.S. Department of Transportation					46,429

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, 2019

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			188,747
Subtotal Direct Program					188,747
Total National Science Foundation					188,747
U.S. Department of Education:					
Indian Education	84.060	S060A14283			67,416
Skills for Success Program	84.215	U215H150111			223,138
Gaining Early Awareness and Readiness for Undergraduate Programs (GEAR-UP):					
GEAR-UP 4 LA	84.334	P334A110166/P334A140118	\$ 1,413,126		3,112,774
GEAR-UP 4 LA	84.334	P334A180080/P334A180081			1,620,808
Subtotal CFDA 84.334			1,413,126		4,733,582
Arts in Education – Professional Development for Arts Educator	84.351	U351C140064			201,130
Subtotal Direct Programs			1,413,126		5,225,266
Passed through Glider Lehman Institute of American History:					
A More Perfect Union	84.422B	Not Available			93,946
Passed through California Department of Education:					
WIOA – Adult Basic Ed/ELA	84.002A	PCA14508			8,294,919
WIOA – Adult Ed English Literacy & Civics Education	84.002A	PCA14109			3,997,710
WIOA – Adult Secondary Ed	84.002	PCA13978			2,732,945
Subtotal CFDA 84.002					15,025,574
Every Student Succeeds Act (ESSA): Title I, Part A, Basic Grants					
Low-Income and Neglected	84.010	PCA14329			362,052,767
ESSA: Title I, Part D, Local Delinquent Programs	84.010	PCA14357			996,384
Subtotal CFDA 84.010					363,049,151
Special Ed: IDEA Basic Local Assistance Entitlement	84.027	18-13379-64733-01		127,963,585	
Special Ed: IDEA Local Assistance, Private School ISPs	84.027	PCA10115		1,788,921	
Special Ed: IDEA Mental Health Allocation Plan	84.027	18-15197-64733-01		6,766,109	
Special Ed: IDEA – Pre-School Local Entitlement	84.027	18-13379-64733-01		8,037,766	
IDEA Preschool Grant	84.173	18-13430-64733-01		3,351,915	
Preschool – Staff Development	84.173	18-13431-64733-01		53,835	
Special Ed: IDEA – Embedded Instruction	84.173	18-13839-64733-01		210,075	
Special Ed: IDEA – Alternate Dispute Resolution, Part B-Sec 611	84.173	PCA13007		119,551	
Subtotal Expenditures – Special Education Cluster (IDEA)					148,291,757
Carl D. Perkins – Secondary Program, Sec 131	84.048	PCA14894			6,106,021
Carl D. Perkins – Vocational and Technical Education, Sec 132	84.048	PCA14893			984,808
Subtotal CFDA 84.048					7,090,829
Early Intervention Funds – Part C					
Education for Homeless Children & Youth	84.181	18-23761-64733-01			1,178,111
ESSA: Title IV, Part B, 21st Century Community Learning Centers Program:					
Cohort 10A-CORE	84.287	PCA14349	503,843		3,535,159
Cohort 10A-HS ASSETS	84.287	PCA14535	10,674,664		12,657,179
Cohort 10A HS ASSETS- Equitable Access	84.287	PCA14603	249,988		384,606
Cohort 9A HS Family Literacy	84.287	PCA14604	40,000		122,530
Cohort 11C HS-Equitable Access	84.287	PCA14765	84,275		164,536
Subtotal CFDA 84.287			11,552,770		16,864,010
ESSA: Title III, English Learner Student Program	84.365	PCA14346			11,271,366
ESSA: Title III, Immigrant Student Program	84.365	PCA15146			2,253,518
Subtotal CFDA 84.365					13,524,884
National Professional Development Grant, Project Royal	84.365Z	16-082			121,217
ESSA: Title II, Part A, Supporting Effective Instruction	84.367	PCA14341			33,239,643
No Child Left Behind: Title I, School Improvement Grant	84.377	PCA15364			8,915,935
ESSA: Title IV, Part A, Student Support & Academic Enrichment Grant Prog	84.424A	PCA15396			2,752,556
Passed through University of California Davis:					
Testing the Efficiency of the Academic Language & Literacy in Every Subject (ALLIES)	84.305A	A18-0513-S002			135,000
Passed through Los Angeles County Office of Education:					
ESSA: Title I, Migrant Ed (Regular & Summer Program)	84.011	PCA14326			659,698
ESSA: Title I, Migrant Ed Summer Program	84.011	PCA10005			218,195
ESSA: Title I, Part C, Migrant Ed (MESRP)	84.011	PCA14326			50,027
Subtotal CFDA 84.011					927,920

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, 2019

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 Department of Rehabilitation:					
Rehab-Transition Partnership Program/Trans Part-Greater LA	84.126A	29881/EP1313027/ 30447/30460/30632/30644			1,440,485
Promoting Readiness of Minor in Suppl Income (CA PROMISE)	84.418P	30052			796,448
California Career Innovation: Work Based Learning Initiative	84.421B	30834/AUSD231582			76,305
Passed through American Institute for Research:					
Air Credit Recovery	84.305A	R305A170152			85,919
Passed through Center for Collaborative Education:					
Principal Residency Network	84.363	MOU/4400003138			62,932
Passed through The Regents of University of California (UC)					
Pacific Coast Teacher Innovation Network – UC Davis	84.367	09-002383-15			81,945
Passed through Literacy Design Collaborative:					
Literacy Design Collaborative Federal i3 Grant	84.411	MOU 2018-19SY			249,255
Passed through Strategic Education Research Partnership:					
Education Partnership-Strategic Education Research Partnership	84.411	Not Available			39,673
Passed through ABT Associates:					
Education Partnership-ABT	84.411	MOU 21050			426
Subtotal CFDA 84.411					<u>289,354</u>
Passed through City of Los Angeles:					
Federal Performance Partners – Los Angeles P3	84.420	C-129242-2			79,902
Subtotal Pass-Through Programs					<u>11,552,770</u>
Total U.S. Department of Education					<u>12,965,896</u>
U.S. Department of Health & Human Services:					
CDCP-School Based HIV/STD Prevention	93.079	5NU87PS004181-05 & 6NU87PS004357-01-01			410,107
Subtotal Direct Programs					<u>410,107</u>
Passed through County of Los Angeles:					
Maternal Infant and Early Childhood Home Visiting Program	93.505	PH-002170			881,527
Passed through City of Los Angeles:					
County Youth Jobs Program-CalWorks	93.558	C-132946		325,376	
Subtotal Expenditures – Temporary Assistance for Needy Families (TANF) Cluster					<u>325,376</u>
Passed through Department of Social Services:					
California Department of Social Services Refugee Program Bureau	93.566	RSIG18CA			12,550
Passed through California Department of Education:					
General Child Care Center-Block Grant	93.575	PCA15136		1,705,537	
General Child Care Center-Mandatory & Matching Fund	93.596	PCA13609		3,725,947	
Subtotal Expenditures – Child Care Development Fund Cluster					<u>5,431,484</u>
Passed through Los Angeles County Office of Education:					
ARRA-State Grants to Promote Health Information Technology	93.719	Not Available			338,101
Medi-Cal Administrative Activities	93.778	C-18377:17:20		6,564,232	
Subtotal expenditures – Medicaid Cluster					<u>6,564,232</u>
Subtotal Pass-Through Programs					<u>13,553,270</u>
Total U.S. Department of Health & Human Services					<u>13,963,377</u>
Corporation for National and Community Service:					
Youth Service America Corporation	94.014	YSA-MLK DAY OF SVC			4,087
Subtotal Direct Program					<u>4,087</u>
Total Corporation for National and Community Service					<u>4,087</u>
U.S. Department of Homeland Security:					
Passed through Governors Office of Emergency Services:					
Public Assistance – FEMA-1810-DR-CA	97.036	OES ID-037-91146			35
Hazard Mitigation Grant Program-FEMA 1731-DR-CA-Manhattan	97.039	HMGF 1731-76-24			1,841
FEMA Hazard Mitigation Grant	97.047	FIPS 037-91146			44,921
Subtotal Pass-Through Programs					<u>46,797</u>
Total U.S. Department of Homeland Security					<u>46,797</u>
Total Expenditures of Federal Awards					<u>\$ 12,965,896</u>
					<u>\$ 453,150,664</u>
					<u>\$ 983,909,623</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, 2019

**(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 the cost principles contained in Title 2 U.S. Code of Federal Regulations 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) \$20,432,466 of donated food commodities received from the U.S. Department of Agriculture, passed-through California Department of Education, during the year ended June 30, 2019.

**OTHER INDEPENDENT  
AUDITOR REPORTS**





SIMPSON & SIMPSON  
CERTIFIED PUBLIC ACCOUNTANTS

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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, 2019, 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 13, 2019.

### 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 &amp; Simpson".

Los Angeles, California  
December 13, 2019





SIMPSON & SIMPSON  
CERTIFIED PUBLIC ACCOUNTANTS

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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, 2019. 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, 2019.

### ***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-2019-001 and F-2019-002. 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-2019-001 and F-2019-002 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-2019-001 and F-2019-002 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 cursive script that reads "Simpson &amp; Simpson".

Los Angeles, California  
December 13, 2019



SIMPSON & SIMPSON  
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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 *2018-19 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* (the Guide) for the year ended June 30, 2019. 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 *2018-19 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, prescribed in the California Code of Regulations (CCR), Title 5, section 19810. 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:



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	<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
Comprehensive School Safety Plan	Yes
District of Choice	Not applicable***
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 2018-19.

\*\* We did not perform any procedures related to Juvenile Court Schools because the District does not offer this program.

\*\*\* The District's Board of Education did not elect to operate as a school District of Choice.

\*\*\*\* 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, 2019.

***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-2019-001 through S-2019-010. Our opinion 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.

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

Los Angeles, California  
December 13, 2019

**LOS ANGELES UNIFIED SCHOOL DISTRICT**

Schedule of Findings and Questioned Costs

June 30, 2019

**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:

<b>CFDA #</b>	<b>Name of Federal Program</b>	<b>Opinion</b>
10.558	Department of Agriculture - Child and Adult Care Food Program	Unmodified
84.010	Department of Education - Title I Grants to Local Educational Agencies	Unmodified
	<b>Department of Education – Special Education Cluster:</b>	Unmodified
84.027	Special Education Grants - to States (IDEA, Part B)	
84.173	Special Education - Preschool Grants (IDEA, Preschool)	
84.181	Department of Education - Special Education - Grants for Infants and Families	Unmodified
84.418	Department of Education - CA Promise	Unmodified
84.424	Department of Education - ESSA: Title IV, Part A, Student Support and Academic Enrichment Grant Program	Unmodified



**LOS ANGELES UNIFIED SCHOOL DISTRICT**

Schedule of Findings and Questioned Costs

June 30, 2019

<b>CFDA #</b>	<b>Name of Federal Program</b>	<b>Opinion</b>
	<b>Department of Health and Human Services – Child Care Development Fund Cluster:</b>	Unmodified
93.575	Child Care and Development Block Grant	
93.596	Child Care Mandatory and Matching Funds of the Child Care and Development Fund	
93.778	Department of Health and Human Services – Medi-Cal Administrative Activity	Unmodified
	<ul style="list-style-type: none"> <li>• Any audit findings disclosed which are required to be reported in accordance with 2 CFR 200.516:</li> </ul>	Yes
	<ul style="list-style-type: none"> <li>• Dollar threshold used to distinguish between type A and type B programs:</li> </ul>	\$3,000,000
	<ul style="list-style-type: none"> <li>• Auditee qualified as low risk auditee</li> </ul>	No

**LOS ANGELES UNIFIED SCHOOL DISTRICT**

Schedule of Findings and Questioned Costs

June 30, 2019

**State Awards**

Type of auditor's report issued on compliance for state programs:

Unmodified

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**LOS ANGELES UNIFIED SCHOOL DISTRICT**

Schedule of Findings and Questioned Costs

June 30, 2019

**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, 2019

**Section III – Findings and Questioned Costs Relating to Federal Awards**

**Program Identification**

Finding Reference Number: **F-2019-001**

Federal Program Title, Awarding Agency, Pass-Through Entity, Catalog of Federal Domestic Assistance (CFDA) Number, and Award Number: Special Education Cluster (IDEA), U.S. Department of Education, Passed through the California Department of Education, CFDA Nos. 84.027 and 84.173, PCA Nos. 13430 and 10115. (Material Weakness)

Child Care and Development Fund: Child Care and Development Block Grant, Child Care Mandatory and Matching Funds of the Child Care and Development Fund, Department of Health and Human Services, Passed through the California Department of Education, CFDA Nos. 93.575, 93.596, Contract Nos. CCTR-8100 and CSPP-8216 (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;
- 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;

## LOS ANGELES UNIFIED SCHOOL DISTRICT

### Schedule of Findings and Questioned Costs

June 30, 2019

- 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 LAUSD Policy Bulletin 2643.8.

***Special Education Cluster:*** In our sample of sixty (60) payroll expenditures, we noted that three (3) employees provided a signed periodic certification; however, the certifications were signed subsequent to our request.

Total exceptions amounted to \$18,151 of the \$278,281 sampled from \$40,717,350 of the total payroll expenditures.

Our sample was a statistically valid sample.

***Child Care and Development Fund Cluster:*** In our sample of sixty (60) payroll expenditures, we noted that two (2) employees provided a signed periodic certification; however, the certifications were signed subsequent to our request.

Total exceptions for the two untimely certifications amounted to \$3,985 of the \$78,628 sampled from the \$96,070,797 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.

This finding is a repeat finding and has been reported previously for June 30, 2018 (F-2018-001) but for different grants.

# LOS ANGELES UNIFIED SCHOOL DISTRICT

## Schedule of Findings and Questioned Costs

June 30, 2019

### **Questioned Costs**

The total cost related to the above-mentioned conditions amounted to \$22,136:

Special Education Cluster (CFDA 84.027, 84.173): \$18,151 due to untimely certifications.

Child Care and Development Fund Cluster (CFDA 93.575, 93.596): \$3,985 due to untimely certifications.

### **Recommendation**

We recommend that the District continue to provide ongoing training to appropriate personnel on the required procedures and include a process to monitor compliance with those procedures.

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

#### ***Special Education Cluster:***

The Division of Special Education will provide ongoing reminders and trainings to the field coordinators/specialists and Student Health and Human Services overseeing the program at the local districts to ensure timely submission of certifications. The Program Coordinator will conduct random monitoring of certification forms during site visits on a quarterly basis.

Name: Anthony Aguilar

Title: Chief of Special Education, Equity and Access

Telephone: (213) 241-4523

#### ***Child Care and Development Fund Cluster:***

Administrators and time reporters will be reminded in their meetings that periodic certifications should be completed and signed by the last working day of December (but no later than January 31st), and last working day of June (but no later than July 31st), and that monthly multi-funded time reports be completed if required. Principals will also be reminded that this documentation should be retained by the time-reporter at the site along with other payroll time-reporting documentation for a period of five (5) years. Notification about the timely completion of periodic certification will be communicated to all Early Education Center and California State Preschool Program administrators and office managers/time reporters in December/January and in June/July through an email blast.

Name: Dean Tagawa

Title: Executive Director, Early Childhood Education

Telephone: (213) 241-0415

## LOS ANGELES UNIFIED SCHOOL DISTRICT

### Schedule of Findings and Questioned Costs

June 30, 2019

#### Program Identification

Finding Reference Number:	<b>F-2019-002</b>
Federal Catalog of Domestic Assistance Number(s):	84.010
Federal Program Titles:	Title I Grants to Local Education Agencies (LEAs)
Awarding Agency / Pass-Through Entity:	U.S. Department of Education, California Department of Education
Award Number:	PCA No. 14329
Compliance Requirement:	Special Tests and Provisions – Annual Report Card, High School Graduation Rate (Material Weakness)  Special Tests and Provisions – Assessment System Security (Significant Deficiency)
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, 2019

***Assessment System Security***

Section 1111(b)(3)(c)(iii) of the ESEA - States, in consultation with LEAs, are required to establish and maintain an assessment system that is valid, reliable, and consistent with relevant professional and technical standards. Within their assessment system, SEAs must have policies and procedures to maintain test security and ensure that LEAs implement those policies and procedures.

LAUSD REF-054497 – 2018-19 Initial English Language Proficiency Assessments for California (ELPAC) Requirements for Principals, Coordinators, and Support Staff:

Section III. Principal and ELPAC Coordinator Requirements for Release of Initial ELPAC Materials states the principal and ELPAC coordinator must complete their respective requirements before STB approves the release of ELPAC materials for the administration of the Initial ELPAC.

LAUSD REF-54498 – 2018-19 California Assessment of Student Performance and progress (CAASPP) Requirements for Principals, Coordinators, and Support Staff:

Section III. Principal’s Requirements states principals at schools administrating CAASPP tests must electronically certify the 2018-19 CAASPP Security Affidavit and Security Agreement in the Principal’s Portal and designate a CAASPP coordinator in the Principal’s Portal.

Section IV. Coordinator Requirements states the CAASPP coordinator and each staff member for whom test site coordinator access is requested must complete the coordinator requirements, which include electronically signing the 2018-19 CAASPP Security Agreement and Affidavit and attending various meetings and online training sessions.

**Condition**

***Annual Report Card, High School Graduation Rate***

We sampled a total of sixty (60) out of 163,029 students with leave codes in the school year 2017-18 My Integrated Student Information System (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. Five (5) student files from four (4) schools provided documentation that did not support the leave code entered into MiSiS:

Leave Code per MiSiS	Leave Code per Supporting Documentation	Cause
<b>L3</b> (Student transfers to a California public school outside LAUSD)	<b>L2</b> (Student transfers to a different LAUSD school)	Not enough information
<b>L3</b> (Student transfers to a California public school outside LAUSD)	<b>L8</b> (Unknown or Other)	Not enough information
<b>L3</b> (Student transfers to a California public school outside LAUSD)	<b>L4</b> (Student transfers to a non-public school including homeschooling)	Error
<b>L4</b> (Student transfers to a non-public school including homeschooling)	<b>L3</b> (Student transfers to a California public school outside LAUSD)	Error
<b>L3</b> (Student transfers to a California public school outside LAUSD)	<b>L2</b> (Student transfers to a different LAUSD school)	Not enough information



**LOS ANGELES UNIFIED SCHOOL DISTRICT**

Schedule of Findings and Questioned Costs

June 30, 2019

Our sample was a statistically valid sample.

***Assessment System Security***

In testing the District’s adherence to the aforementioned Reference Guides, we selected 30 out of 783 schools that administered the ELPAC and 30 out of 774 schools that administered the CAASPP, to verify that the principals and coordinators followed the required procedures prior to administering the exams and that the Student Testing Branch did not release the ELPAC materials prior to those requirements being met. We noted the following exceptions:

- For one (1) school, the ELPAC materials were delivered to the school prior to the submission of the 2018-19 ELPAC Security Agreement and Affidavit.
- For one (1) school, the delivery date of the ELPAC testing material could not be verified as there was no documentation available.

Our sample was a statistically valid sample.

**Cause and Effect**

***Annual Report Card, High School Graduation Rate***

The discrepancies in the leave codes were caused by clerical errors and/or schools using the “L3” code (Student transfers to a California public school outside LAUSD) when they did not have enough information to substantiate that code. See above table for breakdown.

Inaccurate leave codes in MiSiS may lead to inaccurate data collected by CDE, which could lead to errors in the calculation of the graduation rate.

This finding is a repeat finding and has been reported previously for June 30, 2018 (F-2018-004).

***Assessment System Security***

The condition was caused by an oversight on the completion of requirements by the coordinator and principal at the school and oversight by Student Testing Branch (STB) staff in monitoring the submission of the required forms.

**Questioned Costs**

***Annual Report Card, High School Graduation Rate***

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.

## LOS ANGELES UNIFIED SCHOOL DISTRICT

### Schedule of Findings and Questioned Costs

June 30, 2019

#### *Assessment System Security*

Not applicable. This finding is considered a programmatic non-compliance issue as well as a deficiency in the internal control over monitoring the submission of the ELPAC Security Forms and the release of the testing material.

#### **Recommendation**

##### *Annual Report Card, High School Graduation Rate*

We recommend the District continue to strengthen its controls over enrollment/withdrawal status by providing adequate training/monitoring to ensure that student records on MiSiS are accurate and updated when new information is available and that necessary documents are kept on file at school sites.

#### *Assessment System Security*

We recommend that the District strengthen its monitoring process to ensure that the required Security Forms are submitted prior to the release of the testing materials.

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

##### *Annual Report Card, High School Graduation Rate*

The following corrective actions have been taken:

- Increased collaboration with the Organizational Excellence team who provide training and support to School Administrative Assistants (SAA) and Office Technicians located at school sites. In Fall 2019, we participated in a School Business Services Panel for Administrative Assistants and Office Managers. We reiterated policy surrounding enrollment and withdrawal practices. This School Business Services Panel was webcast for those who could not attend in person.
- Implementation of the Certify Scorecard which is a data validation software tool that is part of LAUSD's Data Validation initiative to improve student data accuracy and completeness across the District. It sends emails to schools informing them of potential withdrawal type discrepancies for students who have re-enrolled in an LAUSD school. Rule: ATT 010-0600 Graduates and Grades 7-12 Dropouts, Four Year Report was available to schools for the 2018-2019 school year. This report identifies any discrepancies between leave codes and withdrawals made at the school site. School staff can utilize this report as a guide and complete the necessary actions to update leave codes in MiSiS.
- Updated MiSiS withdrawal screen to only show affiliated charter schools when a leave code of L2 (student transfer to another LAUSD school) with leave reason Affiliated Charter (E46) is selected. Previously both Independent and Affiliated Charter schools would display on the drop-down menu when L2 or L3 (student transfers to another public school within the state of California but outside LAUSD) was selected. Schools cannot always distinguish between an Independent and Affiliated Charter schools and this led to errors. This enhancement supports minimizing errors.

## LOS ANGELES UNIFIED SCHOOL DISTRICT

### Schedule of Findings and Questioned Costs

June 30, 2019

- Enhancement in MiSiS to create an *Update No Show Withdrawal Screen* that allows identified MiSiS user roles to update leave codes across schools when a student matriculates to the next school. When this functionality was not available schools had to call the last school if they had an update to the student's whereabouts. We continue to train staff on the availability of this new screen.
- At the beginning of the 2019-20 school year, PSA Counselors received training on policy updates and data systems reports. Within this training we emphasized the importance of correcting leave code discrepancies and how to make the updates in MiSiS. We also reviewed the Certify rule and how it supports identifying discrepancies to leave codes.

The following corrective actions will be taken:

- Update our policy on withdrawal procedures to emphasize the need to update a student's leave code when a records requests from the new school indicates an updated placement from what was stated when the student was initially withdrawn. This will be available in the policy to be released in August 2020 for the 2020-21 school year.
- Update the Parent Assurance Letter (PAL) in policy to include the leave reason in MiSiS that corresponds to the withdrawal type. This will be available in the policy to be released in August 2020 for the 2020-21 school year.
- Create page on the Pupil Service website detailing tips and reminders on withdrawal procedures and validation documentation to comply with policy and meet compliance standards. Pupil Services will share this link with all stakeholders to reinforce policy and help reduce common errors. Expected completion date is February 2020.
- Offer an *Essential Tips to Support Policy and Meet Compliance* training that will focus on attendance, enrollment and withdrawal practices to help reduce common errors. This training will be listed and offered through the Principals Resource Guide on the Student Health and Human Services (SHHS) website. This training will be available to schools through the Principals Resource Guide by December 2019.
- Monthly meetings with Local District (LD) PSA Lead Counselors:
  - Review enrollment and withdrawal practices including leave code discrepancies and required validation documentation for verification of withdrawal.
- Continued collaboration and communication with the Organizational Excellence team who provide training and support to SAAs and Office Technicians located at school sites. This collaboration consists of consistent communication when there are updates to policy and training needs. Organizational Excellence supports in training in those areas that have been identified in our collaboration for needing additional support.

Name: Elsy Rosado

Title: Director, Pupil Services

Telephone: (213) 241-3844

**LOS ANGELES UNIFIED SCHOOL DISTRICT**

Schedule of Findings and Questioned Costs

June 30, 2019

*Assessment System Security*

The Student Testing Branch (STB) acknowledges the audit finding. A file is generated daily to track the completion of face-to-face training and online requirements by the principal and coordinator in My Professional Learning Network (MyPLN). A new field has been added to the file that flags and dates when both the principal and coordinator have completed their respective requirements. Two STB staff members will confirm the completion of requirements before materials are released to school.

Name: Edwin Guerra

Title: Director, Student Testing Branch

Telephone: (213) 241-4104

**LOS ANGELES UNIFIED SCHOOL DISTRICT**

Schedule of Findings and Questioned Costs

June 30, 2019

**Section IV – Findings and Questioned Costs Relating to State Awards**

**S-2019-001 – Regular and Special Day Classes – Attendance Computations**

**State Program:** Attendance Accounting: Attendance Reporting

**State Audit Guide Finding Codes:** 10000 and 40000

**Schools Affected**

- 28th Street Elementary School
- 135<sup>th</sup> Street Elementary Dual Language Spanish School
- Alexander Fleming Middle School
- Alexander Fleming Middle School Science, Technology, & Mathematics Magnet
- Arroyo Seco Museum Science Magnet
- Belmont Senior High School
- Boyle Heights Science Technology Engineering Math High School
- Brooklyn Avenue Elementary School
- Chester W. Nimitz Middle School
- Downtown Business Magnet
- Downtown Computer Science / Engineering / Multimedia Magnet
- Florence Nightingale Middle School Gifted STEM Magnet
- Francisco Bravo Senior High Medical Magnet
- Fries Avenue Elementary School
- Manhattan Place Elementary School
- Menlo Avenue Elementary School
- Middle College High School
- Nathaniel Narbonne Senior High School
- Normont Elementary School
- Robert F. Kennedy Communications School - New Open World Academy
- San Pedro Senior High School
- Saticoy Elementary School
- Susan Miller Dorsey Senior High School
- Venice Senior High School
- William R. Anton Elementary School
- Woodrow Wilson Senior High School

**Criteria**

*California Education Code, Section 46300(a)* – In computing average daily attendance of a school district or county office of education, there shall be included the attendance of pupils 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 one hundred thirty-six (136) schools, we obtained the Student Monthly Attendance Summary Reports (SMASRs) for a sample of teachers for school month one (1). 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 daily. 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)*.

# LOS ANGELES UNIFIED SCHOOL DISTRICT

## Schedule of Findings and Questioned Costs

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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 196,247 days of attendance and 4,793 days of absences for testing and noted the following findings:

- **28<sup>th</sup> Street Elementary School** - Out of the 771 days of attendance and 15 days of absences sampled, we noted the following exceptions:
  - We identified two (2) absence notes which were not dated. As such, we were unable to perform procedures over the notes. We were unable to determine if there is any questioned cost.
- **135<sup>th</sup> Street Elementary Dual Language Spanish School** - Out of the 417 days of attendance and 3 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 SMASR. 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 2019, this will not lead to questioned costs.
- **Alexander Fleming Middle School** - Out of the 853 days of attendance and 15 days of absences sampled, we noted the following exceptions:
  - Two (2) students were absent for a total of two (2) days, as evidenced by the 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 2019, these will not lead to questioned costs.
- **Alexander Fleming Middle School Science, Technology, & Mathematics Magnet** - Out of the 397 days of attendance and 6 days of absences sampled, we noted the following exceptions:
  - Three (3) students were absent for a total of three (3) days, as evidenced by the 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 2019, these will not lead to questioned costs.
- **Arroyo Seco Museum Science Magnet School** - Out of the 3,188 days of attendance and 42 days of absences sampled, we noted the following exceptions:
  - Two (2) students were absent for a total of two (2) days, as evidenced by the 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 2019, these will not lead to questioned costs.

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- **Belmont Senior High School** - Out of the 1,149 days of attendance and 29 days of absences sampled, we noted the following exception:
  - We identified one (1) absence note which was not dated. As such, we were unable to perform procedures over the note. We were unable to determine if there is any questioned cost.
- **Boyle Heights Science Technology Engineering Math High School** - Out of the 1,040 days of attendance and 37 days of absences sampled, we noted the following exceptions:
  - Two (2) students were absent for a total of two (2) days, as evidenced by the 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 2019, these will not lead to questioned costs.
- **Brooklyn Avenue Elementary School** - Out of the 2,991 days of attendance and 42 days of absences sampled, we noted the following exceptions:
  - Two (2) students were absent for a total of two (2) days, as evidenced by the 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 2019, these will not lead to questioned costs.
- **Chester W. Nimitz Middle School** - Out of the 1,503 days of attendance and 48 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.
- **Downtown Business Magnet** - Out of the 1,009 days of attendance and 27 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.
- **Downtown Computer Science / Engineering / Multimedia Magnet** - Out of the 692 days of attendance and 10 days of absences sampled, we noted the following exception:
  - One (1) student was absent for a total of three (3) days, as evidenced by the absence notes 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 SMASR. 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 2019, this will not lead to questioned costs.

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- **Florence Nightingale Middle School Gifted STEM Magnet** - Out of the 459 days of attendance and 0 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 SMASR. 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 2019, this will not lead to questioned costs.
  
- **Francisco Bravo Senior High Medical Magnet School** - Out of the 1,539 days of attendance and 25 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 SMASR. 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 2019, this will not lead to questioned costs.
  
- **Fries Avenue Elementary School** - Out of the 720 days of attendance and 11 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 SMASR. 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 2019, this will not lead to questioned costs.
  
- **Manhattan Place Elementary School** - Out of the 854 days of attendance and 24 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.
  
- **Menlo Avenue Elementary School** - Out of the 1,152 days of attendance and 31 days of absences sampled, we noted the following exceptions:
  - 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.
  - We identified three (3) absence notes which were not dated. As such we were unable to perform procedures over the notes. We were unable to determine if there is any questioned cost..
  
- **Middle College High School** - Out of the 1,298 days of attendance and 21 days of absences sampled, we noted the following exceptions:
  - Two (2) students were absent for a total of two (2) days, as evidenced by the 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 2019, these will not lead to questioned costs.



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### Schedule of Findings and Questioned Costs

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- **Nathaniel Narbonne Senior High School** - Out of the 1,661 days of attendance and 52 days of absences sampled, we noted the following exceptions:
  - Eleven (11) students were absent for a total of eleven (11) days, as evidenced by the 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 2019, these will not lead to questioned costs.
  
- **Normont Elementary School** - Out of the 604 days of attendance and 20 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.
  
- **Robert F. Kennedy Communications School New Open World Academy** - Out of the 3,640 days of attendance and 60 days of absences sampled, we noted the following exceptions:
  - 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.
  - We identified one (1) absence note which was not dated. As such, we were unable to perform procedures over the note. We were unable to determine if there is any questioned cost.
  
- **San Pedro Senior High School** - Out of the 928 days of attendance and 20 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 SMASR. 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 2019, this will not lead to questioned costs.
  
- **Saticoy Elementary School** - Out of the 707 days of attendance and 39 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.
  
- **Susan Miller Dorsey Senior High School** - Out of the 949 days of attendance and 48 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 SMASR. 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 2019, this will not lead to questioned costs.

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## Schedule of Findings and Questioned Costs

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- **Venice Senior High School** - Out of the 1,426 days of attendance and 43 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.
- **William R. Anton Elementary School** - Out of the 2,489 days of attendance and 62 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 SMASR. 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 2019, this will not lead to questioned costs.
- **Woodrow Wilson Senior High School** - Out of the 512 days of attendance and 32 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, 2018 (S-2018-001 and S-2018-002) but for different schools.

### Questioned Costs

- Grades TK/K-3: 4 days/146 days = 0.03 ADA overstated \* \$10,897 = \$327
  - Grades 4-6: 1 days/146 days = 0.01 ADA overstated \* \$10,012 = \$100
  - Grades 7-8: 1 days/146 days = 0.01 ADA overstated \* \$10,316 = \$103
  - Grades 9-12: 4 days/146 days = 0.03 ADA overstated \* \$12,266 = \$368
- 
- Chester W. Nimitz Middle School
    - Grades 7-8: 1 day overstated/146 days in single track school year
  - Downtown Business Magnet
    - Grades 9-12: 2 days overstated/146 days in single track school year
  - Manhattan Place Elementary School
    - Grades TK/K-3: 1 day overstated/146 days in single track school year
  - Menlo Avenue Elementary School
    - Grades TK/K-3: 1 day overstated/146 days in single track school year
  - Normont Elementary School
    - Grades TK/K-3: 1 day overstated/146 days in single track school year
  - Robert F. Kennedy Communications School - New Open World Academy
    - Grades 4-6: 1 day overstated/146 days in single track school year
  - Saticoy Elementary School
    - Grades TK/K-3: 1 day overstated/146 days in single track school year
  - Venice Senior High
    - Grades 9-12: 1 day overstated/146 days in single track school year
  - Woodrow Wilson Senior High
    - Grades 9-12: 1 day overstated/146 days in single track school year

# LOS ANGELES UNIFIED SCHOOL DISTRICT

## Schedule of Findings and Questioned Costs

June 30, 2019

### **Recommendation**

We recommend that the District and the schools continue to strengthen its controls over implementing attendance policies over student attendance reporting by ensuring schools maintain adequate support for reported absences, accurately report student absences in the school's monthly attendance summary, and retain supporting documentation for instances in which students arrive to school late or leave early. Furthermore, we recommend the District continue to support the schools by providing adequate attendance reporting training so 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:

- Increased collaboration with the Organizational Excellence team who provide training and support to School Administrative Assistants (SAA) and Office Technicians located at school sites. In Fall 2019, we participated in a School Business Services Panel for Administrative Assistants and Office Managers. We reiterated the policy surrounding absence verification and offered additional support by answering questions regarding attendance reporting practices. This School Business Services Panel was webcast for those who could not attend in person.
- Updated our attendance policy and clarified the absence verification section to clearly state that an absence note for a partial day must indicate what time of the school day was missed by the student. This policy update was published in August 2019.

The following correction actions will be taken:

Policy on attendance taking and absence verification procedures will be reinforced by implementing on-going communication with all stakeholders including principals, front office staff and Pupil Services and Attendance (PSA) Counselors.

- Will hold a meeting in January 2020 with Pupil Services Administrators to review audit findings and reiterate attendance reporting practices and the common errors surrounding absence verification.
- Monthly meetings with Local District (LD) PSA Lead Counselors:
  - Review attendance practices including absence recording and required documentation for verification of absence.
  - Provide training tools (PowerPoint presentation) that reinforces the attendance policy and absence verification. LD PSA Leads will then share this information with PSA Counselors at an upcoming professional development.
- Create page on the Pupil Service website detailing tips and reminders on accurate attendance taking and absence verification to comply with policy and meet compliance standards. Pupil Services will share this link with all stakeholders to reinforce policy and help reduce common errors. Expected completion date February 2020.

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- Continued collaboration and communication with the Organizational Excellence team who provide training and support to SAAs and Office Technicians located at school sites. This collaboration consists of consistent communication when there are updates to policy and training needs. Organizational Excellence supports in training in those areas that have been identified in our collaboration for needing additional support.
- Offer an *Essential Tips to Support Policy and Meet Compliance* training that will focus on attendance and enrollment practices to help reduce common errors. This training will be listed and offered through the Principals Resource Guide on the SHHS website. This training will be available to schools through the Principals Resource Guide by December 2019.

Name: Elsy Rosado

Title: Director, Pupil Services

Telephone: (213) 241-3844

### **S-2019-002 – Teacher Certification and Misassignments**

**State Audit Guide Finding Codes:** 40000 and 71000

#### **Schools Affected**

- Belmont Senior High
- Brooklyn Avenue Elementary
- Canfield Avenue Elementary
- LAUSD/USC Media Arts/Engineering Magnet
- Legacy Senior High Visual and Performing Arts
- Ramon C Cortines School of Visual & Performing Arts
- RFK Community Schools - New Open World Academy K-12
- Thomas Starr King Middle School Magnet: Film and Media
- Vine Street Elementary

#### **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

## LOS ANGELES UNIFIED SCHOOL DISTRICT

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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 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.

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We tested a total of 499 K-12 teachers and noted seven (7) exceptions for teachers who were assigned to teach in a position not consistent with the authorization of his/her certification, and four (4) exceptions for a teacher who did not have written verification for teaching an elective:

- **Belmont Senior High** - 1 teacher was assigned to teach in a position not consistent with the authorization of his/her certification due to the teacher being assigned subsequent to the District's assignment monitoring.
- **Brooklyn Avenue Elementary** - 1 teacher did not have written verification for teaching an elective on file due to the school not taking remedial action of the misassignment.
- **Canfield Avenue Elementary** - 1 teacher was assigned to teach in a position not consistent with the authorization of his/her certification due to the teacher being assigned subsequent to the District's assignment monitoring.
- **LAUSD/USC Media Arts/Engineering Magnet** - 1 teacher was assigned to teach in a position not consistent with the authorization of his/her certification due to the school not taking remedial action of the misassignment.
- **Legacy Senior High Visual and Performing Arts** - 1 teacher was assigned to teach in a position not consistent with the authorization of his/her certification due to an expired credential.
- **Ramon C. Cortines School of Visual & Performing Arts** - 1 teacher did not have written verification for teaching an elective on file due to the school not taking remedial action of the misassignment.
- **RFK Community Schools - New Open World Academy K-12** - 2 teachers did not have written verification for teaching an elective on file due to the school not taking remedial action against the teachers.
- **Thomas Starr King Middle School Magnet: Film and Media** - 2 teachers were assigned to teach in a position not consistent with the authorization of his/her certification due to the school not taking remedial action of the misassignments.
- **Vine Street Elementary** - 1 teacher was assigned to teach in a position not consistent with the authorization of his/her certification due to misassignment made by the Special Education Unit.

These findings are repeat findings, having been reported previously at June 30, 2018 (S-2018-003) but for different schools and teachers.

#### Questioned Costs

Not Applicable

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### **Recommendation**

We recommend that the schools and the District remediate the misassignments identified above. Additionally we recommend the schools and the District strengthen internal controls to ensure that teachers are assigned to teach in a position consistent with the authorization of his/her certification by having a system in place to review the alignment of assignments and credentials at the beginning of the school year and monitoring of changes to those assignments during the school year.

### **Views of Responsible Official, 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. HR will send out reminders in the Spring of 2020 advising principals to submit their Ed Code options (ex. true elective, alternative setting, etc.) early for the 2020-21 academic year. HR will also reach out to principals in the Summer of 2020, reminding them of the need to submit Ed Code options prior to the beginning of the academic year. The goal is for new principals to be made aware of this responsibility. In addition, upon receipt of service providers in the areas of Speech and Language Pathology, Orthopedic Impairment, Deaf and Hard of Hearing, and Visual Impairments, HR will do a credential check to ensure that service providers are appropriately authorized. Lastly, HR will continue to monitor English Learner compliance and work with Staff Relations to dismiss employees that fail to meet the requirements.

Name: Luz Ortega

Title: Coordinator – Credentials, Contract, and Compliance Services

Telephone: (213) 241-5349

### **S-2019-003 – Kindergarten Continuance**

**State Audit Guide Finding Codes:** 40000

### **Schools Affected**

- Alta Loma Elementary School
- Cabrillo Avenue Elementary School
- Canyon Charter Elementary School
- Coeur D. Alene Avenue Elementary School
- Eastman Avenue Dual Language & Bilingual Spanish Elementary School
- Fairburn Avenue Elementary School
- Rio Vista Elementary School
- South Park Elementary School

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### 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 a total of 91 schools offering Kindergarten from the schools sampled for attendance reporting, we selected students enrolled in kindergarten for school year 2018-19 and kindergarten in school year 2017-18 and verified that a signed kindergarten continuance parental agreement (Agreement) was maintained. We noted the following exceptions:

- **Alta Loma 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 two (2) students due to school oversight.
- **Cabrillo 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 due to a lost form
- **Canyon Charter 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 due to a timing issue. The student started the school year in First Grade and was later moved back to Kindergarten.
- **Coeur D. Alene 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 due to school oversight.
- **Eastman Avenue Dual Language & Bilingual Spanish 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 due to school oversight.
- **Fairburn 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 two (2) students due to the parents misdating the forms.
- **Rio Vista 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 due to the school being unaware of the District's policy.
- **South Park 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 due to a timing issue. The school was unaware that the student attended Kindergarten for half a school year prior to admittance.



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These findings are repeat findings, having been reported previously at June 30, 2018 (S-2017-004) but for different schools.

### Questioned Costs

**\$64,946 (5.96 total ADA overstated x \$10,897)**

- Alta Loma Elementary School
  - 276 days overstated / 180 days in single track school year = 1.53 ADA
- Cabrillo Avenue Elementary School
  - 142 days overstated / 180 days in single track school year = 0.79 ADA
- Canyon Charter Elementary School
  - 28 days overstated / 180 days in single track school year = 0.16 ADA
- Coeur D. Alene Avenue Elementary School
  - 136 days overstated / 180 days in single track school year = 0.76 ADA
- Eastman Avenue Dual Language & Bilingual Spanish Elementary School
  - 101 days overstated / 180 days in single track school year = 0.56 ADA
- Fairburn Avenue Elementary School
  - 78 days overstated / 180 days in single track school year = 0.43 ADA
- Rio Vista Elementary School
  - 147 days overstated / 180 days in single track school year = 0.82 ADA
- South Park Elementary School
  - 163 days overstated / 180 days in single track school year = 0.91 ADA

### Recommendation

We recommend that the schools offering Kindergarten understand and adhere to the District's policy by retaining evidence of the signed and dated parental agreement for continuance 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. We also recommend that the District strengthen its internal controls over the collection of kindergarten continuance forms by ensuring all schools offering Kindergarten have a system of identifying continuing kindergarten age students who have repeated or have already commenced kindergarten.

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

In Spring 2019, an enhancement to the MiSiS progress report screen was initiated to provide a reminder about the required signed continuance form, and a link to the Kindergarten Continuance policy bulletin. This feature continues to be implemented in the 2019-20 school year. Additional MiSiS enhancements are being developed about eligibility for retention on the grade change screen. The Division of Instruction, in collaboration with the Information Technology Division, will implement a monitoring report that will be used by principals to identify retained kindergarten students and ensure that the proper continuance form is on file in the student cumulative records. Principals, Directors and Administrators of Instruction will continue to receive information about Kindergarten Continuance through the District communication portal.

# LOS ANGELES UNIFIED SCHOOL DISTRICT

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The policy bulletin regarding Kindergarten Continuance will be updated to include the phrase kindergarten retention and an attachment with frequently asked questions. The update to the policy bulletin will address the new monitoring report and grade screen enhancements. This bulletin will be issued in the second semester of the 2019-20 school year with notices made to Principals, Directors, Administrators of Instruction, and School Administrative Assistants about the new policy.

Name: Carlen Powell

Title: Administrator of Elementary Instruction

Telephone: (213) 241-5333

### **S-2019-004 – 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.

#### **Condition, Cause and Effect**

In our sample of one (1) school with independent study programs, we noted the following:

- **City of Angels School**
  - The school's record of attendance (ROA) showed 1 day of attendance for one (1) student; however, the school was not able to provide work samples. Therefore, we were not able to verify whether the work product was related to the assignment to which the work was undertaken and whether it reflected the curriculum adopted by the local governing board and not an alternative curriculum. The student's days were overreported by 1 day due to missing records.
  - The school's ROA showed 11 days of attendance for one (1) student; however, the school was not able to provide work samples. Therefore, we were not able to verify whether the work product was related to the assignment to which the work was undertaken and whether it reflected the curriculum adopted by the local governing board and not an alternative curriculum. The student's days were overreported by 11 days due to missing records.

## LOS ANGELES UNIFIED SCHOOL DISTRICT

### Schedule of Findings and Questioned Costs

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- The school's ROA showed 16 days of attendance for one (1) student; however, the school was not able to provide work samples. Therefore, we were not able to verify whether the work product was related to the assignment to which the work was undertaken and whether it reflected the curriculum adopted by the local governing board and not an alternative curriculum. The student's days were overreported by 16 days due to missing records.
- A master agreement for one (1) student was not dated. Therefore, we could not verify the effective start date for which the student was enrolled in. The student's days were overreported by 60 days due to school oversight.
- Attendance for (1) student shows 8 days on the SMASR (Student Monthly Attendance Summary Report); however, the student's ROA shows 7 days. The student's days were overreported by 1 day due to school oversight.
- Attendance for (1) student shows 12 days on the SMASR; however, the student's ROA shows 11 days. The student's days were overreported by 1 day due to school oversight.
- Attendance for (1) student shows 15 days on the SMASR; however, the student's ROA shows 13 days. The student's days were overreported by 2 days due to school oversight.
- Attendance for (1) student shows 17 days on the SMASR; however, the student's ROA shows 16 days. The student's days were overreported by 1 day due to school oversight.

These findings are repeat findings, having been reported previously at June 30, 2018 (S-2018-005).

#### Questioned Costs

District's independent study school:

- Grades TK/K-3:  $1 \text{ day}/146 \text{ days} = 0.01 \text{ ADA overstated} * \$10,897 = \$109$
- Grades 9-12:  $92 \text{ days}/146 \text{ days} = 0.63 \text{ ADA overstated} * \$12,226 = \$7,702$ 
  - City of Angels School
    - Grades TK/K-3: 1 day overstated/146 days in single track school year
    - Grades 9-12: 92 days overstated/146 days in single track school year

#### Recommendation

We recommend that the District strengthen its review process over independent study to ensure that all elements of the master agreements are complete, and all records of attendance contain readily available corresponding pupil work products. We also recommend that the District provide proper training to ensure attendance is reported accurately and policies are adhered to.

# LOS ANGELES UNIFIED SCHOOL DISTRICT

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

City of Angels administration accepts the audit findings and will continue to work with faculty using the professional development plan and self-audits previously developed.

Going forward the following enhancements will be taken:

1. Each fall semester provide professional development to smaller groups of faculty by region on average daily attendance workflows and procedures.
2. Provide one-on-one coaching and support when issues are identified from school or District audits.
3. Conduct training with each newly assigned teacher.
4. Conduct due diligence audits when anomalies in data are identified and/or as needed.
5. Continue monthly audits and balancing of teacher statistical reports and MiSiS attendance entry.
6. Combine formal audits with teacher's formal evaluation.
7. Work with staff relations for appropriate action when a performance issue is identified, and/or if immediate improvement does not occur with the employee after differentiated professional development.

Name: Dr. Vince Carbino

Title: Principal - Independent Study

Telephone: (323) 415-8350

### S-2019-005 – Attendance Accounting – Continuation Education – Attendance Computations

#### State Audit Guide Finding Codes: 10000 and 4000

#### School Affected

- Cheviot Hills Continuation High School

#### Criteria

*Title 5, California Code of Regulations, Section 401(d)* - In all classes for adults, continuation schools, and classes, and regional occupational centers and programs, attendance shall be reported to the supervising administrator at least once each school month.

*California Education Code, Section 46300(a)* - In computing average daily attendance of a school district or county office of education, there shall be included the attendance of pupils while engaged in educational activities required of those pupils and under the immediate supervision and control of an employee of the district or county office who possessed a valid certification document, registered as required by law.

*California Education Code, Section 46170* - In continuation high schools and continuation education classes, a day of attendance is 180 minutes of attendance but no pupil shall be credited with more than 15 hours of attendance per school per week, proportionately reduced for those school weeks having weekday holidays on which classes are not held.

# LOS ANGELES UNIFIED SCHOOL DISTRICT

## Schedule of Findings and Questioned Costs

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### Condition, Cause and Effect

In our sample of three (3) continuation schools, we obtained the Student Monthly Attendance Summary Reports (SMASRs) for a sample of teachers for school month one (1). 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 daily. 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 noted the following findings:

- **Cheviot Hills Continuation High School** - Of the 1,032.2 hours (334 days) of attendance and 42 days of absences sampled and tested we noted the following findings:
  - Attendance for twenty-five (25) students was overstated by 6,700 minutes (111.67 hours) or 37.22 days due to manual attendance procedures.

### Questioned Costs

$37.22 \text{ days} / 146 \text{ days} = 0.25 \text{ ADA overstated} * \$12,266 = \$3,067$

- Cheviot Hills Continuation High School – 37.22 days overstated / 146 days in single track school year = 0.25 ADA

### Recommendation

We recommend that the District strengthen its review process over student attendance reporting to ensure that the reports accurately reflect student attendance data. We also recommend that the District continue to provide adequate attendance reporting training to the schools so that proper attendance reporting procedures are adhered to.

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

Beginning with the 2019-20 school year, Cheviot Hills Continuation High School has eliminated the manual attendance procedure and will only use MiSiS to record student attendance. In addition, Local District West staff will provide training on proper attendance and absence reporting procedures by January 2020.

Name: Christina Wantz  
Title: Director, Local District West  
Telephone: (310) 914-2100

# LOS ANGELES UNIFIED SCHOOL DISTRICT

## Schedule of Findings and Questioned Costs

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### **S-2019-006 – 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 12.12, which exceeds the allowable ratio set forth in Education Code section 41402, which for the District is 8.

The District exceeded the allowable ratio due in part to a large number of school-site instructional support positions (but are not assigned a classroom or carrying a roster) and school support staff who are placed in Local Districts and Central Offices are considered administrators for purposes of the ratio calculation.

Employees filling these positions are on leave from their regular classroom/school assignment. These positions are necessary and critical to the District’s mission to influence student outcomes and improve teaching and learning.

These findings are repeat findings, having been reported previously at June 30, 2018 (S-2018-008).

#### **Questioned Costs**

Per AB-75 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 2019 - 20 and 2021 - 22 fiscal years.

The District is granted this exception as their second principal apportionment average daily attendance is 412,434.42.

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.

# LOS ANGELES UNIFIED SCHOOL DISTRICT

## Schedule of Findings and Questioned Costs

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

The District will implement the following corrective actions:

- In order to address the R2 ratio and maintain the same level of safety and service to schools, Local Districts and Central offices need to stabilize the current number of non-federally funded administrators. The District will continue to monitor the ratio utilizing the current freeze waiver process requiring approval before any certificated administrative position is established.
- 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.

Name: Leanne Hannah

Title: Director, Certificated Human Resources

Telephone: 213-241-2538

#### **S-2019-007 – Apprenticeship**

**State Audit Guide Finding Codes:** 43000

#### **Trades Affected**

- Brickmasons – Brickmasons Apprenticeship Training Trust
- Elevators – Northern California Elevator Joint Apprenticeship (Local 8)
- Tradeshows – California Tradeshow & Sign Crafts Joint Apprenticeship (Local 510 & 831)

#### **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).

# LOS ANGELES UNIFIED SCHOOL DISTRICT

## Schedule of Findings and Questioned Costs

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### 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)*.

We noted the following findings:

- **Brickmasons** - Of the 1,411 hours of attendance, 1,411 hours sampled and tested, we noted the following finding:
  - Attendance for thirty-three (33) students were overstated by 159.85 hours due to misreporting by the trade.
- **Elevators (Local 8)** - Of the 10,322 hours of attendance, 435 hours sampled and tested, we noted the following finding:
  - Attendance for three (3) students were overstated by 15 hours due to misreporting by the trade.
- **Tradeshows (Local 510 & 831)** - Of the 10,024 hours of attendance, 2,848 hours sampled and tested, we noted the following finding:
  - Attendance for one (1) student was overstated by 8 hours from Tradeshows (Local 510) due to misreporting by the trade.

These findings are repeat findings, having been reported previously at June 30, 2018 (S-2017-007) for the elevators trade.

### Questioned Costs

182.85 hours \* \$6.26 = \$1,144.64 (80% Trades = \$915.71, 20% District = \$228.93)

- Brickmasons – 159.85 hours overstated:
  - 159.85 hours \* \$6.26 = \$1,000.66 (80% Brickmasons = \$800.53, 20% District = \$200.13)
- Elevators (Local 8) - 15 hours overstated:
  - 15 hours \* \$6.26 = \$93.90 (80% Sheet Metal = \$75.12, 20% District = \$18.78)
- Tradeshows (Local 510) - 8 hours overstated:
  - 8 hours \* \$6.26 = \$50.08 (80% Elevators = \$40.06, 20% District = \$10.02)



# LOS ANGELES UNIFIED SCHOOL DISTRICT

## Schedule of Findings and Questioned Costs

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### 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

The Division of Adult and Career Education (DACE) accepts the audit findings and is committed to the implementation of a systematic and consistent monitoring of student attendance hours and claims for reimbursement. DACE 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. Beginning in December 2019, District staff will conduct a monthly check of five (5) students each, from five (5) different trades. This monthly check will include review of sign-in sheets to ensure they match with the electronic or other forms of attendance record. Additional staffing has been added to support fiscal record keeping.

Name: Rosario Galvan  
Title: Administrator  
Telephone: (213) 241-3150

### S-2019-008 – California Clean Energy Jobs Act

**State Audit Guide Finding Codes:** 40000

### Program Affected

- **California Clean Energy Jobs Act Fund (Proposition 39 Fund)**

### Criteria

*Public Resources Code, Section 26235(f)* -The Superintendent of Public Instruction shall not distribute funds to an LEA unless the LEA has submitted to the Energy Commission, and the Energy Commission has approved, an expenditure plan that outlines the energy projects to be funded. An LEA shall utilize a simple form expenditure plan developed by the Energy Commission. The Energy Commission shall promptly review the plan to ensure that it meets the criteria specified in this section and in the guidelines developed by the Energy Commission. A portion of the funds may be distributed to an LEA upon request for energy audits and other plan development activities prior to submission of the plan.

*Public Resources Code, Section 26206(i)* - Eligible expenditures include costs associated with technical assistance, and with reducing project costs and delays, such as development and implementation of processes that reduce the costs of design, permitting or financing, or other barriers to project completion and job creation.

# LOS ANGELES UNIFIED SCHOOL DISTRICT

## Schedule of Findings and Questioned Costs

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### Condition, Cause and Effect

In our sample of Proposition 39 payroll expenditures, we selected seventeen (17) employees for which charges were made to the Proposition 39 fund. We traced individual employee time sheets to the summary hours reported and traced each project for which charges were made into the approved energy expenditure plans.

We noted the following findings:

- Payroll expenditures for two (2) employees were erroneously overcharged to the Proposition 39 fund due to incorrect calculation of prorated hours. The total of the overcharges amounted to \$67.18.
- Payroll expenditures for two (2) employees were charged to the Proposition 39 based on initial timesheets submitted by the employees. The employees' time were subsequently adjusted to remove all Proposition 39 charges, but this adjustment was not reflected in the Proposition 39 expenditure detail. As such, the Proposition 39 funds were overcharged due to an allocation oversight. The total of the overcharges amounted to \$8.40.

### Questioned Costs

Total nonqualifying amount for salary transfer posting: \$75.58

### Recommendation

We recommend that the District maintain its review process over the payroll postings of charges which are made to the Proposition 39 fund to ensure all charges are accurate. We also recommend that the District strengthen its controls to ensure all employee timesheet adjustments are properly reflected in the Proposition 39 fund.

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

Adjustments have been processed to correct the identified overcharges made to the program funds. Moving forward, Program Controls will ensure that calculations are reviewed for completeness and accuracy prior to posting. This will be accomplished by including an additional level of review. A reconciliation process will be in place to address any variances.

Name: Christos Chrysiliou  
Title: Director of Architectural & Engineering Services  
Telephone: (213) 241-0482

# LOS ANGELES UNIFIED SCHOOL DISTRICT

## Schedule of Findings and Questioned Costs

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### S-2019-009 – After School Education and Safety Program

**State Program:** After School Education and Safety Program

**State Audit Guide Finding Codes:** 40000

#### Schools Affected

- 10th Street Elementary
- Alta Loma Elementary
- Carthay Elementary of Environmental Studies Magnet
- Dayton Heights Elementary
- El Sereno Middle School
- Fletcher Drive Elementary
- Fries Avenue Elementary
- Griffith Middle School STEAM Magnet
- Humphreys Avenue Elementary
- Kittridge Street Elementary
- Leland Street Elementary
- Limerick Avenue Elementary
- Miles Avenue Elementary
- Mount Gleason Middle School
- Nora Sterry Elementary
- Northridge Middle School
- Telfair Avenue Elementary
- Wilton Place Elementary
- Wilmington Park Elementary

#### 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.

## LOS ANGELES UNIFIED SCHOOL DISTRICT

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*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 19 schools and 2,780 days of attendance for students who participated in the After/Before 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 10 schools and 1,670 days of attendance in the after school component of the After School Education and Safety Program.

There were one hundred and four (104) students in eight (8) schools that did not comply with the established early release policy. As a result, the following schools had students that did not participate in the full day of the after school program on every day during which pupils participated.

- **El Sereno Middle School** – Twenty-six (26) students did not participate in the full period of the after school program for a total of eighty-two (82) days that they participated and there were no properly filled out early release forms to explain why such requirements were not complied with.
- **Fries Avenue Elementary** – Twenty-four (24) 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.
- **Griffith Middle School STEAM Magnet** – Twelve (12) students did not participate in the full period of the after school program for a total of thirty-one (31) days that they participated and there were no properly filled out early release forms to explain why such requirements were not complied with.
- **Humphreys Avenue Elementary** – Fifteen (15) students did not participate in the full period of the after school program for a total of twenty-nine (29) days that they participated and there were no properly filled out early release forms to explain why such requirements were not complied with.
- **Mount Gleason Middle School** – Eight (8) students did not participate in the full period of the after school program for a total of fourteen (14) days that they participated and there were no properly filled out early release forms to explain why such requirements were not complied with.
- **Nora Sterry Elementary** – Two (2) students 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.

## LOS ANGELES UNIFIED SCHOOL DISTRICT

### Schedule of Findings and Questioned Costs

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- **Northridge Middle School** – Five (5) 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.
- **Wilmington Park Elementary** – Twelve (12) students did not participate in the full period of the after school program for a total of seventeen (17) 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 in the Monthly Attendance Report (MAR) for the schools for a sampled week during the school year 2018-2019. 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:

- **El Sereno 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.
  - MAR was overstated by 2 days, compared to the sign in sheets for the total counted present days.
- **Fries Avenue Elementary** – 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 thirty (30) days but marked present on the MAR.
  - MAR was overstated by 95 days, compared to the sign in sheets for the total counted present days.
- **Griffith Middle School STEAM Magnet** – Lack of supporting information (i.e., sign-in time, sign-out time) of one (1) student to produce the attendance records for a total of three (3) days but marked present on the MAR.
- **Mount Gleason Middle School** – Lack of supporting information (i.e., sign-in time, sign-out time) of six (6) students to produce the attendance records for a total of seven (7) days but marked present on the MAR.
- **Northridge 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.
  - MAR was overstated by 3 days, compared to the sign in sheets for the total counted present days.

## LOS ANGELES UNIFIED SCHOOL DISTRICT

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#### **Before School Component of the Program**

On a sample basis, we tested the attendance documentation of 9 schools and 1,110 days of attendance in the before school component of the Before School Education and Safety Program.

There were two (2) students in two (2) schools that did not comply with the established late arrival policy. As a result, the following elementary schools had students that did not participate in the full duration of the before school program on every day during which pupils participated:

- **Kittridge Street Elementary** – One (1) student did not participate in the full period of the before school program for a total of sixteen (16) days that was participated and there were no properly filled out late arrival forms to explain why such requirements were not complied with.
- **Limerick Avenue Elementary** – One (1) student did not participate in the full period of the before school program for a total of nineteen (19) days that was participated and there were no properly filled out late arrival 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 in the Monthly Attendance Report (MAR) for the schools for a sampled week during the school year 2018-2019. 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:

- **Miles Avenue Elementary** - 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 twelve (12) days but marked present on the MAR.
  - MAR was overstated by 25 days, compared to the sign in sheets for the total counted present days.
- **Telfair Avenue Elementary** - Two (2) students were marked absent for a total of four (4) days on the sign-in sheet but marked present on the MAR.
- **Wilton Place Elementary** - One (1) student was marked absent for a total of five (5) days 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 and retain supporting documentation for instances in which students arrive to the programs late or leave early.

# LOS ANGELES UNIFIED SCHOOL DISTRICT

## Schedule of Findings and Questioned Costs

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

Beyond the Bell Branch (BTB) will continue to work with District staff and agency contractors to strengthen its policies and procedures on attendance reporting and documentation of Early Release/Late Arrival policies. BTB will implement the following procedures to ensure documentation of reported attendance figures are readily available, complete and accurate:

1. Agency contractors and program personnel at schools affected by this audit will be required to attend a training meeting scheduled in February 2020.
2. Agency contractors and program personnel providing services at all District sites will be required to attend a training meeting scheduled in March 2020.
3. BTB administrators and traveling supervisors will be required to attend a training meeting scheduled in February 2020. The training will be offered to ensure they understand their responsibilities when monitoring agencies.
4. BTB administrators and traveling supervisors will conduct random reviews/audits of “Monthly Attendance Reports” throughout the year.

Name: Pablo Garcia-Hernandez

Title: Grant and Funding Program Manager, Beyond the Bell Branch

Telephone: (213) 241-7900

### S-2019-010 – Unduplicated Local Control Funding Formula Pupil Counts

**State Program:** Unduplicated Local Control Funding Formula Pupil Counts

**State Audit Guide Finding Code:** 40000

#### Schools Affected

- Abraham Lincoln Senior High
- Belmont Senior High
- Benjamin Franklin Senior High
- Cabrillo Avenue Elementary
- Chester W. Nimitz Middle
- Commonwealth Avenue Elementary
- Downtown Business High
- Foshay Learning Center
- Francisco Bravo Medical Magnet High
- Fries Avenue Elementary
- Grant Elementary
- Phineas Banning Senior High
- Pio Pico Middle
- Ramon C. Cortines School of Visual and Performing Arts
- San Pedro Senior High
- Santee Education Complex
- Sixth Avenue Elementary
- Thomas Starr King Middle School Film and Media Magnet
- Toland Way Elementary
- University High School Charter
- Virgil Middle
- William R. Anton Elementary

## LOS ANGELES UNIFIED SCHOOL DISTRICT

### Schedule of Findings and Questioned Costs

June 30, 2019

#### Criteria

*California Education Code, Section 2574(b)(3)(A)*: In determining the enrollment percentage of unduplicated pupils, under procedures and timeframes established by the Superintendent, commencing with the 2013-14 fiscal year, a county superintendent of schools annually shall report the enrollment of unduplicated pupils, pupils classified as English learners, pupils eligible for free and reduced-price meals, and foster youth in schools operated by the county superintendent of schools to the Superintendent using the California Longitudinal Pupil Achievement Data System (CALPADS).

(B): The Superintendent shall make the calculations pursuant to this section using the data submitted through the CALPADS.

#### Condition, Cause and Effect

On a sample basis, we tested the Free or Reduced Price Meal (FRPM) and English Learner (EL) eligibility of 3,515 students from 145 schools from the “1.18 – FRPM / English Learner / Foster Youth – Student List” reported in the CALPADS. We examined supporting documentation for the selected students and verified their respective eligibility.

Of the 3,515 students tested, 1,963 students were selected for verification of their Free and Reduced Price Meal (FRPM) eligibility as “181 - Free” or “182 - Reduced”, 643 students were selected for verification of their English Learner “EL”, and 909 students were selected for verification of either FRPM or EL eligibility in accordance with the audit guide.

Based on our testing, we noted that thirty-five (35) students from the District’s schools, and one (1) student from the District’s Dependent Charter School were reported as Free or Reduced or English Learner eligible but were unsupported as Free or Reduced or English Learner eligible. The cause of the error in reporting into CALPADS stems from the District handling multiple sets of data/records which reports the eligibility of students. This process has led to these students initially being reported as Free or Reduced eligible or English Learner, but their records were not updated to reflect they were ineligible to continue being designated as such.



**LOS ANGELES UNIFIED SCHOOL DISTRICT**

Schedule of Findings and Questioned Costs

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The exceptions noted were extrapolated to the FRPM and EL population of the District Schools and Dependent Charter School in question based on the error rate of the samples selected. The following is the extrapolated impact on the District Schools and Dependent Charter School's UPC and UPP:

School	*		UPP	UPC adjusted	UPC adjusted	UPC adjusted	Adjusted total UPC	Adjusted UPP
	Total Enrollment Applied	* UPC Applied		based on eligibility of FRPM	based on eligibility for EL funding	based on eligibility for both FRPM and EL		
Los Angeles Unified School District	1,381,025	1,180,443	85.48%	(350)	-	-	** 1,180,093	85.45%
Abraham Lincoln Senior High	3,189	3,012	94.45%	(3)	-	-	3,009	94.36%
Belmont Senior High	2,825	2,682	94.94%	-	(2)	-	2,680	94.87%
Benjamin Franklin Senior High	4,227	3,867	91.48%	(1)	-	-	3,866	91.46%
Cabrillo Avenue Elementary	1,150	1,046	90.96%	(1)	-	-	1,045	90.87%
Chester W. Nimitz Middle	4,675	4,365	93.37%	-	(2)	-	4,363	93.33%
Commonwealth Avenue Elementary	1,922	1,713	89.13%	-	(1)	-	1,712	89.07%
Downtown Business High	3,106	2,456	79.07%	(3)	-	-	2,452	78.94%
Foshay Learning Center	5,685	5,275	92.79%	(1)	-	-	5,273	92.75%
Francisco Bravo Medical Magnet High	5,569	4,746	85.22%	(2)	-	-	4,744	85.19%
Fries Avenue Elementary	1,490	1,417	95.10%	(4)	-	-	1,412	94.77%
Grant Elementary	1,534	1,439	93.81%	(1)	-	-	1,438	93.74%
Phineas Banning Senior High	6,936	6,221	89.69%	(1)	-	-	6,219	89.66%
Pio Pico Middle	1,521	1,416	93.10%	(1)	-	-	1,414	92.97%
Ramon C. Cortines School of Visual and Performing Arts	3,963	2,973	75.02%	(1)	(1)	-	2,971	74.97%
San Pedro Senior High	7,351	4,897	66.62%	-	(1)	-	4,896	66.60%
Santee Education Complex	5,682	5,445	95.83%	(1)	-	-	5,444	95.81%
Sixth Avenue Elementary	1,636	1,538	94.01%	(1)	-	-	1,537	93.95%
Thomas Starr King Middle School Film and Media Magnet	6,019	4,504	74.83%	(1)	-	-	4,503	74.81%
Toland Way Elementary	970	833	85.88%	(1)	(1)	-	831	85.67%
Virgil Middle	3,305	3,153	95.40%	(3)	-	-	3,150	95.31%
William R. Anton Elementary	2,046	1,906	93.16%	(1)	-	-	1,905	93.11%
University High School Charter (Dependent Charter)	1,511	1,124	74.39%	(9)	-	-	1,115	73.79%
University High School Charter (Dependent Charter)	1,511	1,124	74.39%	(1)	-	-	1,123	74.32%

\* Total is the sum of the last two prior years and current year results.

\*\* The adjustment represents the extrapolated impact of the error on the District's UPC. Refer to the Questioned Costs section for additional details.

## LOS ANGELES UNIFIED SCHOOL DISTRICT

### Schedule of Findings and Questioned Costs

June 30, 2019

#### Questioned Costs

We determined the total impact of the thirty-five (35) findings on the District, and one (1) finding on the Dependent Charter School by extrapolating the noted errors to the total UPC. We determined that the total extrapolated impact on the District's UPC is 350, and for the Dependent Charter School is 9.

We decreased the District's UPC by the extrapolated impact of 350 students and calculated an Adjusted UPC of 85.45%.

We applied the Adjusted UPC to the District's LCFF State Aid, Adjusted for Minimum State Aid Guarantee for fiscal year 2018 - 19, and we computed total questioned costs to be \$501,233.

We also decreased the Dependent Charter School's UPC by the extrapolated impact of 9 students and calculated an Adjusted UPC of 73.78%.

We applied the Adjusted UPC to the Dependent Charter School LCFF State Aid, Adjusted for Minimum State Aid Guarantee for fiscal year 2018 - 19, and we computed total questioned costs to be \$15,639.

#### Recommendation

We recommend the District implement a more effective system of collecting 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.

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

The following corrective actions will be taken:

***Economic Disadvantage Status: Free and reduced meal eligibility, household income verification, and program participation in at-risk categories (migrant, foster, homeless)***

The State Reporting Services Branch (SRSB), in collaboration with the More Than a Meal Team and Information Technology Division (ITD), is moving from the interim two-tier iterative approach of verifying student meal-eligibility records to an electronic meal eligibility identification system. The new system will be the source for the reporting of student LCFF eligibility to CALPADS. Because some of the data sources reporting rules and validations are still under review, this system will not be automated until the end of the 2019-20 school year.

## LOS ANGELES UNIFIED SCHOOL DISTRICT

### Schedule of Findings and Questioned Costs

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#### ***English Learner Status***

The SRSB will ensure that the data between the District and the State is aligned by using *Certify*, a report tool that assists schools identify records with missing or inconsistent data. School staff assigned to specific programs receive emails twice a week with the counts of identified errors and the specific student records to be corrected. SRSB will continue to run discrepancy reports to identify records that need resolution. This time consuming process will require verification and correction of records on an individual record basis, depending on the type of discrepancy. The SRSB will contact schools and other LEAs for clarification and documentation, and make necessary corrections. The SRSB will also continue to work with ITD regarding student identification issues.

The Multilingual and Multicultural Education Department (MMED), in collaboration with the Student Testing Branch (STB), will provide all Local District EL coordinators/designee with support needed to ensure all eligible EL students are identified and assessed by generating student eligibility reports from My Integrated Student Information System (MiSiS) and Test Operations Management System (TOMS). MMED will regularly communicate any findings with LD EL coordinators via conference call, face-to-face meeting, and/or email. In addition, the MMED will contact schools directly to provide additional support as needed if it appears that student have not taken the summative/annual EL assessment by the end of the testing window.

#### ***Moving Forward***

SRSB and MMED along with STB will continue to closely monitor the meal code eligibility system and English Learner status, respectively, to improve the process as necessary.

Name: Oscar Lafarga

Title: Executive Director , Office of Data and Accountability

Telephone: (213) 241-2460

Name: Rafael Escamilla

Title: Coordinator , English Learner Programs Compliance

Telephone: (213) 241-5582

**LOS ANGELES UNIFIED SCHOOL DISTRICT**

Status of Prior Year Findings and Recommendations

June 30, 2019

**Section V - Findings Relating to the Prior Year Basic Financial Statements which are Required to be Reported in Accordance with Government Auditing Standards**

None.

**LOS ANGELES UNIFIED SCHOOL DISTRICT**

Status of Prior Year Findings and Recommendations

June 30, 2019

**Section VI - Findings and Questioned Costs Related to Federal Awards**

**1. Finding F-2018-001 – 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;

**School Improvement Grants**, U.S. Department of Education, passed through California Department of Education, CFDA No. 84.377, Grant Agreement Nos. 14-15248-6473-00 and 16-15364-6473-00.

**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**

The District has implemented the corrective action plan as stipulated in their response to the prior year audit finding. This is a repeat finding which has been reported in the current year (F-2019-001), but for different programs.

**2. Finding F-2018-002 – 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-7215 and CCTR-7101, PCA Nos. 15136 and 13609.

**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**

Status of Prior Year Findings and Recommendations

June 30, 2019

**Current Status**

Implemented.

**3. Finding F-2018-003 – 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-7215 and CCTR-7101, PCA Nos. 15136 and 13609.

**Recommendation**

We recommend that the District strengthen its processes to ensure that attendance records are reported accurately.

**Current Status**

Implemented.

**4. Finding F-2018-004 – 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 training/monitoring to ensure that student records are accurate.

**Current Status**

The District has implemented the corrective action plan as stipulated in their response to the prior year audit finding, with the exception of one item. The planned corrective action to update the Parent Assurance Letter (PAL) to include the withdrawal code next to the options listed was not implemented due to a clean-up in withdrawal codes and leave reasons used in MiSiS. The plan to include the leave code next to the descriptor of the PAL is projected to be implemented for the 2020-21 school year.

This is a repeat finding which has been reported in the current year (F-2019-002). However, the nature of this procedure requires a one-year look-back, and as such corrective actions from prior years would have a delayed impact.

**LOS ANGELES UNIFIED SCHOOL DISTRICT**

Status of Prior Year Findings and Recommendations

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**Section VII – 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

**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**

The District has implemented the Corrective Action Plan as stipulated in their response to the prior year audit finding. This is a repeat finding which has been reported in the current year (S-2019-001) but for different schools.

**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

**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, 2019

#### **Current Status**

The District has implemented the Corrective Action Plan as stipulated in their response to the prior year audit finding. This is a repeat finding which has been reported in the current year (S-2019-001) but for different schools.

#### **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

#### **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**

The District has implemented the Corrective Action Plan as stipulated in their response to the prior year audit finding. This is a repeat finding which has been reported in the current year (S-2019-002) but for different schools and teachers.

#### **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

#### **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**

The District has implemented the Corrective Action Plan as stipulated in their response to the prior year audit finding. This is a repeat finding which has been reported in the current year (S-2019-003) but for different schools.



# LOS ANGELES UNIFIED SCHOOL DISTRICT

## Status of Prior Year Findings and Recommendations

June 30, 2019

### **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

#### **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.

#### **Current Status**

The District has implemented the Corrective Action Plan as stipulated in their response to the prior year audit finding. This is a repeat finding which has been reported in the current year (S-2019-004) but for different schools and teachers.

### **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

### Status of Prior Year Findings and Recommendations

June 30, 2019

#### **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**

The District has partially implemented the Corrective Action Plan as stipulated in their response to the prior year audit finding. The District conducted site visits to monitor compliance with procedures but has not addressed attendance and early release forms for all site visit monitoring activities. This is a repeat finding which has been reported in the current year (S-2019-009) but for different schools.

#### **S-2018-007 – Apprenticeship**

**State Audit Guide Finding Codes:** 40000

#### **Trades Affected**

- Elevators – National Elevator Industry Educational Program
- Sheet Metal – Joint Apprenticeship & Training Committee

#### **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.

#### **Current Status**

Partially implemented. The Division of Adult and Career Education has hired a Financial Analyst to review and verify electronic attendance with signature enrollment to ensure data is accurate and tally accordingly. The District has not fully implemented the review of trades' attendance record keeping system and will do so by mid-year of the 2019-20 school year. This is a repeat finding which has been reported in the current year (S-2019-007) but for different trades.

**LOS ANGELES UNIFIED SCHOOL DISTRICT**

Status of Prior Year Findings and Recommendations

June 30, 2019

**S-2018-008 – 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**

The District has implemented the Corrective Action Plan as stipulated in their response to the prior year audit finding. This is a repeat finding which has been reported in the current year (S-2019-006).

**INDEPENDENT AUDITOR'S MANAGEMENT LETTER**



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December 13, 2019

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, 2019, 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 199. 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 &amp; Simpson". The signature is written in a cursive style with a small ampersand between the two names.

**Current Year Management Letter Comments**

**ML-2019-001 - Vendor Record Access**

**Condition**

Four (4) payroll personnel have access to create a vendor and change/update a vendor within the SAP accounting payable module using the Create Vendor (FK01) and the Change Vendor (FK02) transactions respectively.

We were informed by ITD that to remit garnishment withholdings, the above payroll personnel are required to establish the employee with garnishment as a vendor within SAP's accounts payable module.

However, this condition adversely impacts maintaining adequate segregation of duties.

**Recommendation**

The creation and change/update of a vendor account/record for a garnishment recipient/payee should be migrated to the Procurement department as they are the owner of the Create Vendor (FK01) transaction and data.

**Management Response**

Payroll Services will work with Procurement Services to transition the responsibility of creating and maintaining vendor accounts for garnishment recipients. ITD will assist in this effort by providing the appropriate security roles and working with Payroll to implement a process to ensure Payroll has the necessary garnishment information to run payroll efficiently without delays.

**ML-2019-002 - Process Timekeeping Access**

**Condition**

Our review of access to the Process Timekeeping (CAT2) production transactions revealed five (5) retiree personnel with access to the Process Timekeeping (CAT2) production transaction.

We were informed that removing CAT2 access for these retirees was missed due to a GRC (Governance Risk Compliance) system malfunction. However, a time expiration date was placed on these user's accounts subsequent to auditor notification. Also, as their respective SSO (Single Sign On) network access was deleted upon their termination, the risk of unauthorized access by these individuals is reduced.

**Recommendation**

SAP transaction access for terminated users (e.g., Retirees) should be removed or expired in a timely manner.

## **Current Year Management Letter Comments**

### **Management Response**

An automated process is in place to remove SAP roles from retirees and separated employees in a timely manner. This condition occurred due to a break in the process caused by two GRC change requests. Upon notification SAP Security Team proceeded to date delimit the SAP user master record of these 5 users and confirmed that these 5 employee's SSO account was deactivated once they were separated. Even though they had PA30 access they cannot log into SAP. This system defect has been addressed and resolved.

The two change requests that caused a break-fix in the process were SharePoint request #8820-Update GRC BRP+ HR Trigger Rehire for Additional Assignments and SharePoint request #8860-Update GRC BRP+ HR Trigger for 3 HR Master Data Scenarios.

### **ML-2019-003 - Business Continuity Planning**

#### **Condition**

Business Continuity Plans (BCP) address the requirements for resilience, alternative processing and recovering the capability of critical district processes and IT services in the event of a disaster. However, BCPs have not been completed (i.e., baselined for testing) for 34 of LAUSD's 76 branches District-wide, this include 6 of the 12 ITD branches. Also, IT Disaster Recovery/Contingency Plans have not been completed for ITD applications (e.g., SAP, MISIS, etc.).

We were informed that there was a delay in BCP completion due to a decision to migrate the backup or alternative processing facility (APF) from Van Nuys to a Cloud solution scheduled for June 2021.

#### **Recommendation**

BCPs should be completed and updated on a regular basis to ensure that operations and IT systems can be effectively recovered, shortcomings are addressed, and the plan remains relevant.

#### **Management Response**

ITD concurs with the importance of the Business Continuity Planning and it will be completed and updated on an ongoing basis.



## **Status of Prior Year Management Letter Comments**

### **ML-2018-001 - SAP Transport Form Signature Dates**

#### **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.

#### **Current Status**

Implemented.

### **ML-2018-002 - CMS Program Change Approvals**

#### **Recommendation**

Sign-off approvals be consistently dated on CMS Change Management Approval forms.

#### **Current Status**

Implemented.

### **ML-2018-003 - SAP User Access**

#### **Recommendation**

ITD management should periodically review access to SAP production transactions and remove inappropriate access in a timely manner.

#### **Current Status**

Implemented.

### **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**

Partially implemented. See ML-2019-003 Business Continuity Planning

## **Status of Prior Year Management Letter Comments**

**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-2019-003 Business Continuity Planning.

**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**

Partially implemented - Password Management Policy was fully implemented in Nov 2018. ITD created a new position specifically for developing and maintaining a vulnerability management program and in June 2019, ITD filled that position. ITD contracted with Microsoft in September 2018 to provide customized cybersecurity incident management training and assessment services. ITD is currently leveraging the knowledge gained during the Microsoft engagement to develop a District-wide cybersecurity incident management policy and step-by-step instructions for mitigating the District's top cybersecurity threats.