NEW ISSUE – BOOK-ENTRY ONLY

Ratings:
Fitch: "AAA" (Tax-Exempt Bonds)
"F1+" (Taxable Bonds)
Moody's: "Aa2"
See "MISCELLANEOUS – Ratings" herein.

In the opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the District, based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Tax-Exempt Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986. In the further opinion of Bond Counsel, interest on the Tax-Exempt Bonds is not a specific preference item for purposes of the federal alternative minimum tax. Bond Counsel is also of the opinion that interest on the 2018 Bonds is exempt from State of California personal income taxes. Bond Counsel further observes that interest on the Taxable Bonds is not excluded from gross income for federal income tax purposes. Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the amount, accrual or receipt of interest on, the 2018 Bonds. See "TAX MATTERS."

LOS ANGELES UNIFIED SCHOOL DISTRICT
(County of Los Angeles, California)

$130,000,000
General Obligation Bonds,
Election of 2005, Series M (2018)
(Dedicated Unlimited *Ad Valorem*
Property Tax Bonds)
consisting of

$1,220,000,000
General Obligation Bonds,
Election of 2008, Series B (2018)
(Dedicated Unlimited *Ad Valorem*
Property Tax Bonds)
consisting of

$117,005,000	**$12,995,000**	**$1,085,440,000**	**$134,560,000**
Series M-1 (2018)	**Series M-2 (2018)**	**Series B-1 (2018)**	**Series B-2 (2018)**
(Tax-Exempt)	**(Federally Taxable)**	**(Tax-Exempt)**	**(Federally Taxable)**

Dated: Date of Delivery **Due: As shown on inside cover**

The Los Angeles Unified School District (County of Los Angeles, California) General Obligation Bonds, Election of 2005, Series M (2018) (Dedicated Unlimited *Ad Valorem* Property Tax Bonds) (the "Series M Bonds"), consisting of the Series M-1 (2018)(Tax-Exempt) Bonds (the "Tax-Exempt Series M-1 Bonds") and the Series M-2 (2018)(Federally Taxable) Bonds (the "Taxable Series M-2 Bonds"), and General Obligation Bonds, Election of 2008, Series B (2018) (Dedicated Unlimited *Ad Valorem* Property Tax Bonds) (the "Series B Bonds" and, together with the Series M Bonds, the "2018 Bonds"), consisting of the Series B-1 (2018)(Tax-Exempt) Bonds (the "Tax-Exempt Series B-1 Bonds" and, together with the Tax-Exempt Series M-1 Bonds, the "Tax-Exempt Bonds") and the Series B-2 (2018)(Federally Taxable) Bonds (the "Taxable Series B-2 Bonds" and, together with the Taxable Series M-2 Bonds, the "Taxable Bonds") are being issued by the County of Los Angeles, California (the "County") on behalf of the Los Angeles Unified School District (the "District") to finance school facilities projects, as more fully described herein, fund a deposit to the related interest and sinking funds of the District (each an "Interest and Sinking Fund"), and pay the costs of issuance of the 2018 Bonds. See "ESTIMATED SOURCES AND USES OF FUNDS" and "PLAN OF FINANCE" herein.

The 2018 Bonds are general obligation bonds of the District secured by and payable from *ad valorem* property taxes to be levied within the District pursuant to the California Constitution and other laws of the State of California (the "State"). The Board of Supervisors of the County is empowered and is obligated to levy *ad valorem* taxes upon all property subject to taxation by the District, without limitation as to rate or amount (except as to certain personal property which is taxable at limited rates), for the payment of principal of and interest on the 2018 Bonds, all as more fully described herein. See "SECURITY AND SOURCE OF PAYMENT FOR THE 2018 BONDS" herein.

Principal of the Tax-Exempt Bonds is payable on July 1 in each of the years and in the amounts set forth on the inside front cover hereof. Interest on the Tax-Exempt Bonds is payable on each January 1 and July 1 to maturity, commencing July 1, 2018. Principal of and interest on the Taxable Bonds are payable on May 1, 2018.

The 2018 Bonds will be issued in book-entry form only, in denominations of $5,000 principal amount, or integral multiples thereof, and will be initially issued and registered in the name of Cede & Co., as nominee for The Depository Trust Company ("DTC"). DTC will act as securities depository for the 2018 Bonds. Owners will not receive certificates representing their interests in the 2018 Bonds. Payments of principal of, premium, if any, and interest on the 2018 Bonds will be made by U.S. Bank National Association, as agent to the Treasurer and Tax Collector of the County, as the initial paying agent, to DTC, which is obligated to remit such payments to its DTC Participants for subsequent disbursement to the beneficial owners of the 2018 Bonds. See Appendix C – "BOOK-ENTRY ONLY SYSTEM" attached hereto.

The Taxable Bonds are not subject to redemption prior to their respective maturity date. The Tax-Exempt Bonds are subject to redemption prior to their respective stated maturity dates as described herein. See "THE 2018 BONDS – Redemption" herein.

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

The 2018 Bonds will be offered when, as and if issued by the County and received by the Underwriters, subject to the approval as to their legality by Orrick, Herrington & Sutcliffe LLP, Los Angeles, California, Bond Counsel to the District, and certain other conditions. Certain legal matters will be passed upon for the District by the General Counsel to the District and by its Disclosure Counsel, Hawkins Delafield & Wood LLP, Los Angeles, California, and for the Underwriters by Nixon Peabody LLP, Los Angeles, California. Public Resources Advisory Group, Los Angeles, California, and Government Financial Strategies inc., Sacramento, California, are serving as Municipal Advisors to the District in connection with the issuance of the 2018 Bonds. The 2018 Bonds, in book-entry form, will be available for delivery through the facilities of DTC on or about March 8, 2018.

BofA Merrill Lynch **Goldman Sachs & Co. LLC**

Citigroup

Drexel Hamilton, LLC **Rice Financial Products Company** **RBC Capital Markets** **Stifel**

Dated: February 21, 2018

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

$130,000,000
General Obligation Bonds,
Election of 2005, Series M (2018)
(Dedicated Unlimited *Ad Valorem* Property Tax Bonds)
consisting of

$117,005,000	$12,995,000
Series M-1 (2018)(Tax-Exempt)	**Series M-2 (2018)(Federally Taxable)**

Base CUSIP† Number: 544646

Maturity	Principal Amount	Interest Rate	Initial Public Offering Yield	Price	CUSIP† Suffix
Taxable Series M-2 Bonds					
May 1, 2018	$12,995,000	1.850%	1.850%	100.000%	8B1
Tax-Exempt Series M-1 Bonds					
July 1, 2019	$2,840,000	2.000%	1.340%	100.855%	6Y3
July 1, 2020	2,900,000	5.000	1.490	107.952	6Z0
July 1, 2021	3,045,000	5.000	1.650	110.757	7A4
July 1, 2022	3,195,000	3.000	1.810	104.915	7B2
July 1, 2023	3,290,000	3.000	1.960	105.222	7C0
July 1, 2024	580,000	3.000	2.060	105.536	7D8
July 1, 2024	2,810,000	5.000	2.060	117.319	7E6
July 1, 2025	550,000	3.000	2.200	105.375	7F3
July 1, 2025	2,995,000	5.000	2.200	118.817	7G1
July 1, 2026	1,225,000	3.000	2.350	104.880	7H9
July 1, 2026	2,490,000	5.000	2.350	119.904	7J5
July 1, 2027	3,875,000	5.000	2.480	120.839	7K2
July 1, 2028	1,650,000	3.000	2.580	103.618[C]	7L0
July 1, 2028	2,420,000	5.000	2.580	120.859[C]	7M8
July 1, 2029	4,240,000	5.000	2.670	119.995[C]	7N6
July 1, 2030	4,450,000	5.000	2.750	119.233[C]	7P1
July 1, 2031	4,675,000	5.000	2.850	118.289[C]	7Q9
July 1, 2032	4,905,000	5.000	2.920	117.633[C]	7R7
July 1, 2033	5,155,000	5.000	2.970	117.167[C]	7S5
July 1, 2034	5,410,000	5.000	3.010	116.796[C]	7T3
July 1, 2035	5,680,000	5.000	3.040	116.519[C]	7U0
July 1, 2036	5,965,000	5.000	3.070	116.242[C]	7V8
July 1, 2037	6,265,000	5.000	3.100	115.966[C]	7W6
July 1, 2038	770,000	3.375	3.500	98.190	7X4
July 1, 2038	5,805,000	5.000	3.120	115.783[C]	7Y2
July 1, 2042	2,685,000	3.500	3.590	98.544	8A3

$27,135,000 5.250% Term Bonds due July 1, 2042; Yield 3.150% - Price: 117.605%[C] CUSIP† 7Z9

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† CUSIP® is a registered trademark of the American Bankers Association. CUSIP Global Services (CGS) is managed on behalf of the American Bankers Association by S&P Capital IQ. CUSIP® data herein is provided by CUSIP Global Services. This data is not intended to create a database and does not serve in any way as a substitute for the CGS database. CUSIP® numbers are provided for convenience of reference only. Neither the District or the Underwriters or their respective agents or counsel assume responsibility for the accuracy of such numbers.

[C] Priced to call at par on January 1, 2028.

$1,220,000,000
General Obligation Bonds,
Election of 2008, Series B (2018)
(Dedicated Unlimited *Ad Valorem* Property Tax Bonds)
consisting of

$1,085,440,000
Series B-1 (2018)(Tax-Exempt)

$134,560,000
Series B-2 (2018)(Federally Taxable)

Base CUSIP† Number: 544646

Maturity	Principal Amount	Interest Rate	Initial Public Offering Yield	Price	CUSIP† Suffix
Taxable Series B-2 Bonds					
May 1, 2018	$134,560,000	1.850%	1.850%	100.000%	6X5
Tax-Exempt Series B-1 Bonds					
July 1, 2019	$ 4,930,000	4.000%	1.340%	103.451%	5S7
July 1, 2019	19,730,000	5.000	1.340	104.749	5T5
July 1, 2020	1,850,000	4.000	1.490	105.686	5U2
July 1, 2020	23,995,000	5.000	1.490	107.952	5V0
July 1, 2021	2,000,000	4.000	1.650	107.546	5W8
July 1, 2021	25,115,000	5.000	1.650	110.757	5X6
July 1, 2022	2,255,000	4.000	1.810	109.046	5Y4
July 1, 2022	26,200,000	5.000	1.810	113.177	5Z1
July 1, 2023	865,000	4.000	1.960	110.245	6B3
July 1, 2023	28,990,000	5.000	1.960	115.267	6A5
July 1, 2024	18,250,000	4.000	2.060	111.428	6D9
July 1, 2024	13,085,000	5.000	2.060	117.319	6C1
July 1, 2025	10,300,000	4.000	2.200	112.096	6F4
July 1, 2025	22,420,000	5.000	2.200	118.817	6E7
July 1, 2026	3,075,000	4.000	2.350	112.392	6G2
July 1, 2026	31,180,000	5.000	2.350	119.904	6H0
July 1, 2027	35,935,000	5.000	2.480	120.839	6J6
July 1, 2028	37,735,000	5.000	2.580	120.859[C]	6K3
July 1, 2029	39,620,000	5.000	2.670	119.995[C]	6L1
July 1, 2030	41,600,000	5.000	2.750	119.233[C]	6M9
July 1, 2031	43,680,000	5.000	2.850	118.289[C]	6N7
July 1, 2032	45,865,000	5.000	2.920	117.633[C]	6P2
July 1, 2033	48,160,000	5.000	2.970	117.167[C]	6Q0
July 1, 2034	50,565,000	5.000	3.010	116.796[C]	6R8
July 1, 2035	53,095,000	5.000	3.040	116.519[C]	6S6
July 1, 2036	55,750,000	5.000	3.070	116.242[C]	6T4
July 1, 2037	58,535,000	5.000	3.100	115.966[C]	6U1
July 1, 2038	61,465,000	5.000	3.120	115.783[C]	6V9

$279,195,000 5.250% Term Bonds due July 1, 2042; Yield 3.150% - Price: 117.605%[C] CUSIP† 6W7

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C Priced to call at par on January 1, 2028.

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

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

The Underwriters have provided the following sentence for inclusion in this Official Statement. The Underwriters have reviewed the information in this Official Statement in accordance with, and as part of, their respective responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information.

IN CONNECTION WITH THE OFFERING OF THE 2018 BONDS THE UNDERWRITERS MAY OVERALLOT OR EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICE OF THE 2018 BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME. THE UNDERWRITERS MAY OFFER AND SELL THE 2018 BONDS TO CERTAIN DEALERS AND BANKS AT YIELDS HIGHER THAN THE INITIAL PUBLIC OFFERING YIELDS STATED ON THE INSIDE FRONT COVER PAGE HEREOF AND SAID INITIAL PUBLIC OFFERING YIELDS MAY BE CHANGED FROM TIME TO TIME BY THE UNDERWRITERS. THE 2018 BONDS HAVE NOT BEEN REGISTERED WITH THE U.S. SECURITIES AND EXCHANGE COMMISSION UNDER THE SECURITIES ACT OF 1933, AS AMENDED, NOR HAS THE COUNTY RESOLUTION BEEN QUALIFIED UNDER THE TRUST INDENTURE ACT OF 1939, AS AMENDED, IN RELIANCE UPON EXEMPTIONS CONTAINED IN SUCH ACTS.

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

The District maintains a website at www.lausd.net. However, reference to such website address is for informational purposes only. Unless specified otherwise, such website and the information or links contained therein are not incorporated by reference herein, should not be relied upon in making an investment decision with respect to the 2018 Bonds, and are not part of this Official Statement for purposes of and as that term is defined in Rule 15c2-12 adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934.

CUSIP is a registered trademark of The American Bankers Association. CUSIP data in this Official Statement is provided by CUSIP Global Services, managed by Standard & Poor's Financial Services LLC on behalf of The American Bankers Association. CUSIP data herein is set forth for convenience of reference only. The District and the Underwriters assume no responsibility for the selection or uses of the CUSIP data or for the accuracy or correctness of such data. The CUSIP numbers for the 2018 Bonds are subject to being changed after the delivery of the 2018 Bonds as a result of various subsequent actions.

LOS ANGELES UNIFIED SCHOOL DISTRICT
BOARD OF EDUCATION

District	Member	Term Ending
2	Mónica García, President	December 11, 2022
4	Nick Melvoin, Vice President	December 11, 2022
1	George McKenna	December 13, 2020
3	Scott Schmerelson	December 13, 2020
5	Ref Rodriguez	December 13, 2020
6	Kelly Gonez	December 11, 2022
7	Richard Vladovic	December 13, 2020

DISTRICT OFFICIALS

Dr. Michelle King, Superintendent
Vivian Ekchian, Interim Superintendent
David Holmquist, General Counsel
Dr. Scott Price, Chief Financial Officer
V. Luis Buendia, Controller
Timothy S. Rosnick, Deputy Controller

BOND COUNSEL

Orrick, Herrington & Sutcliffe LLP
Los Angeles, California

DISCLOSURE COUNSEL

Hawkins Delafield & Wood LLP
Los Angeles, California

MUNICIPAL ADVISORS

Public Resources Advisory Group
Los Angeles, California

Government Financial Strategies inc.
Sacramento, California

PAYING AGENT

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

TABLE OF CONTENTS

LOS ANGELES UNIFIED SCHOOL DISTRICT
(County of Los Angeles, California)

$130,000,000 **General Obligation Bonds,** **Election of 2005, Series M (2018)** **(Dedicated Unlimited *Ad Valorem* Property Tax Bonds)** ***consisting of***		**$1,220,000,000** **General Obligation Bonds,** **Election of 2008, Series B (2018)** **(Dedicated Unlimited *Ad Valorem* Property Tax Bonds)** ***consisting of***	
$117,005,000 **Series M-1 (2018)** **(Tax-Exempt)**	**$12,995,000** **Series M-2 (2018)** **(Federally Taxable)**	**$1,085,440,000** **Series B-1 (2018)** **(Tax-Exempt)**	**$134,560,000** **Series B-2 (2018)** **(Federally Taxable)**

INTRODUCTION

This Introduction is only a brief description of, and is qualified by, more complete and detailed information contained in the entire Official Statement, including the cover page through the appendices hereto, and the documents summarized or described herein. The offering of the 2018 Bonds to potential investors is made only by means of the entire Official Statement. A full review should be made of the entire Official Statement.

General

This Official Statement, which includes the cover page through the appendices hereto, is provided to furnish information in connection with the sale of $130,000,000 aggregate principal amount of Los Angeles Unified School District (County of Los Angeles, California) General Obligation Bonds, Election of 2005, Series M (2018) (Dedicated Unlimited *Ad Valorem* Property Tax Bonds) (the "Series M Bonds"), consisting of the $117,005,000 Series M-1 (2018)(Tax-Exempt) Bonds (the "Tax-Exempt Series M-1 Bonds") and the $12,995,000 Series M-2 (2018)(Federally Taxable) Bonds (the "Taxable Series M-2 Bonds"), and $1,220,000,000 aggregate principal amount of Los Angeles Unified School District (County of Los Angeles, California) General Obligation Bonds, Election of 2008, Series B (2018) (Dedicated Unlimited *Ad Valorem* Property Tax Bonds) (the "Series B Bonds" and, together with the Series M Bonds, the "2018 Bonds"), consisting of the $1,085,440,000 Series B-1 (2018)(Tax-Exempt) Bonds (the "Tax-Exempt Series B-1 Bonds" and, together with the Tax-Exempt Series M-1 Bonds, the "Tax-Exempt Bonds") and the $134,560,000 Series B-2 (2018)(Federally Taxable) Bonds (the "Taxable Series B-2 Bonds" and, together with the Taxable Series M-2 Bonds, the "Taxable Bonds") to be offered by the Los Angeles Unified School District (the "District").

The 2018 Bonds are issued by the County of Los Angeles, California (the "County") on behalf of the District pursuant to certain provisions of the California Constitution, the California Education Code and other applicable law, the applicable authorization received at elections held by the District as described herein, a resolution adopted by the Board of Education of the District (the "District Board") on December 12, 2017 (the "District Resolution"), and a resolution adopted by the Board of Supervisors of the County (the "Board of Supervisors") on February 13, 2018 (the "County Resolution" and, together with the District Resolution, the "Resolutions"). The 2018 Bonds are being issued to (1) finance school facilities projects, (2) fund a deposit to the related interest and sinking funds of the District (each an "Interest and Sinking Fund"), and (3) pay the costs of issuance incurred in connection with the issuance of the 2018 Bonds. See "INTRODUCTION – Authority and Purpose for Issuance of the 2018 Bonds," "ESTIMATED SOURCES AND USES OF FUNDS" and "PLAN OF FINANCE."

THE 2018 BONDS ARE GENERAL OBLIGATION BONDS OF THE DISTRICT SECURED BY AND PAYABLE FROM *AD VALOREM* TAXES TO BE LEVIED UPON ALL PROPERTY SUBJECT TO TAXATION BY THE DISTRICT, WITHOUT LIMITATION AS TO

RATE OR AMOUNT (EXCEPT AS TO CERTAIN PERSONAL PROPERTY WHICH IS TAXABLE AT LIMITED RATES). THE 2018 BONDS ARE NOT AN OBLIGATION OF THE COUNTY OF LOS ANGELES, THE STATE OF CALIFORNIA, OR OF THE GENERAL FUND OF THE DISTRICT. SEE "SECURITY AND SOURCE OF PAYMENT FOR THE 2018 BONDS."

The District

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

The District is the second largest public school district in the United States and is the largest public school district in the State. The estimated K-12 enrollment in the District for Fiscal Year 2017-18 consists of 613,274 students, including those attending fiscally independent charter schools ("Fiscally Independent Charter Schools"), magnet, opportunity, and continuation schools and centers, charter schools, and schools for the handicapped. As of June 30, 2017, the District operated 1,054 schools and centers, which consisted of 449 elementary schools, 82 middle/junior high schools, 95 senior high schools, 54 options schools, 168 magnet centers, 47 magnet schools, 24 multi-level schools, 14 special education schools, 2 community adult schools, 6 regional occupational centers, 3 skills centers, 1 regional occupational program, 86 early education centers, 4 infant centers, and 19 primary school centers. As of June 30, 2017, 54 of the District's schools were operated as locally funded, affiliated charter schools. In addition, as of June 30, 2017, the District oversaw 225 Fiscally Independent Charter Schools within the District's boundaries.

Additional information on the District is set forth in Appendices A and B hereto. See Appendix A – "DISTRICT FINANCIAL INFORMATION AND REGIONAL ECONOMIC AND DEMOGRAPHIC INFORMATION" and Appendix B – "AUDITED ANNUAL FINANCIAL REPORT OF THE DISTRICT FOR THE FISCAL YEAR ENDED JUNE 30, 2017."

The District's General Obligation Bond Program

Voters within the District have approved a total of $20,605,000,000 of general obligation bonds in five separate bond elections since 1997, as delineated in Table 1 below, a portion of which are currently outstanding. Subsequent to the issuance of the 2018 Bonds, a total of $15,061,815,000 of the approved general obligation bonds will have been issued, with $5,543,185,000 remaining to be issued under the bond authorizations listed below (collectively, the "Authorizations"). See "SECURITY AND SOURCE OF PAYMENT FOR THE 2018 BONDS – The District's General Obligation Bond Program and Bonding Capacity."

TABLE 1
LOS ANGELES UNIFIED SCHOOL DISTRICT
General Obligation Bond Authorizations

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

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

(2) After the issuance of the 2018 Bonds. See Appendix A – "DISTRICT FINANCIAL INFORMATION AND REGIONAL ECONOMIC AND DEMOGRAPHIC INFORMATION – District Financial Information – District Debt – General Obligation Bonds" attached hereto for the amounts of outstanding general obligation bonds under the referenced Authorizations. Excludes general obligation refunding bonds.

Source: Los Angeles Unified School District.

In addition to the bond proceeds from the five Authorizations referred to above, the District has received State-matching funds and other revenue sources to fund the general obligation bond program's various projects. The District may continue to receive other revenue sources, including State-matching funds; however, additional funding is not guaranteed. The District's general obligation bond program has completed all projects that enabled the District to operate all schools on a traditional two-semester calendar in the 2017-18 school year. In addition, more than 21,500 repair and school modernization projects, which are intended to upgrade facilities and improve the learning environment for students, have been completed. The program includes, among other things, various school facilities improvements for computer technology, sustainability, information technology systems and school buses.

Authority and Purpose for Issuance of the 2018 Bonds

The 2018 Bonds are issued pursuant to provisions of Section 1(b)(3) of Article XIIIA of the State Constitution, Chapters 1 and 1.5 of Part 10 of Division 1 of Title 1 of the California Education Code and other applicable law, the herein described Measure Y Authorization (with respect to the Series M Bonds), and the herein described Measure Q Authorization (with respect to the Series B Bonds) and the Resolutions. The proceeds of the Series M Bonds will be used to (1) finance school facilities projects (collectively, the "Measure Y Projects") approved by voters in the November 8, 2005 election approving Measure Y (the "Measure Y Authorization"), (2) fund a deposit to the related Interest and Sinking Funds, and (3) pay the costs of issuance incurred in connection with the issuance of the Series M Bonds. The proceeds of the Series B Bonds will be used to (1) finance school facilities projects (collectively, the "Measure Q Projects") approved by voters in the November 4, 2008 election approving Measure Q (the "Measure Q Authorization"), (2) fund a deposit to the related Interest and Sinking Funds, and (3) pay the costs of issuance incurred in connection with the issuance of the Series B Bonds. See "PLAN OF FINANCE" and "ESTIMATED SOURCES AND USES OF FUNDS."

Security and Source of Payment for the 2018 Bonds

The 2018 Bonds are payable from *ad valorem* property taxes to be levied within the District pursuant to the California Constitution and other state law. The Board of Supervisors is empowered and is obligated to levy *ad valorem* taxes upon all property subject to taxation by the District, without limitation as to rate or amount (except as to certain personal property which is taxable at limited rates), for the payment of principal of and interest on the 2018 Bonds, all as more fully described herein. Such *ad valorem* property taxes are deposited in the related interest and sinking fund of the District (the "Interest and Sinking Fund") which is held by the County and may only be applied to pay the principal of, redemption premium, if any, and interest on the 2018 Bonds.

Pursuant to Section 15251 of the State Education Code, general obligation bonds issued or sold by school districts (including the 2018 Bonds) shall be secured by a statutory lien on all revenues received pursuant to the levy and collection of the tax. As provided in such section, the lien shall automatically attach without further action or authorization by the District or the County and the lien shall be valid and binding from the time such series or subseries of the 2018 Bonds are executed and delivered, and the revenues received pursuant to the levy and collection of the tax shall be immediately subject to the lien, and the lien shall automatically attach to the revenues and be effective, binding, and enforceable against the District, its successors, transferees, and creditors, and all others asserting rights therein, irrespective of whether those parties have notice of the lien and without the need for any physical delivery, recordation, filing, or further act. See "SECURITY AND SOURCE OF PAYMENT FOR THE 2018 BONDS – Statutory Lien on Taxes (Senate Bill 222)."

In addition, pursuant to the District Resolution, the District pledges all revenues from the *ad valorem* property taxes collected from the levy by the Board of Supervisors and amounts on deposit in each Interest and Sinking Fund of the District for the payment of the principal or redemption price of and interest on the related series of 2018 Bonds for each respective bond measure and all previously issued and outstanding general obligation bonds and general obligation refunding bonds of the District (collectively, the "District General Obligation Bonds"). The District Resolution provides that such pledge shall be valid and binding from the date thereof for the benefit of the owners of such series of District General Obligation Bonds. The District Resolution also provides that the *ad valorem* property taxes and amounts held in each Interest and Sinking Fund of the District shall be immediately subject to such pledge, and the pledge shall constitute a lien and security interest which shall immediately attach to the property taxes and amounts held in such Interest and Sinking Fund of the District to secure the payment of the respective series of District General Obligation Bonds and, pursuant to the District Resolution, shall be effective, binding, and enforceable against the District, its successors, creditors and all others irrespective of whether those parties have notice of the pledge and without the need of any physical delivery, recordation, filing, or further act. See "SECURITY AND SOURCE OF PAYMENT FOR THE 2018 BONDS."

Other Information

This Official Statement contains brief descriptions of, among other things, the 2018 Bonds, the District, the District's general obligation bond program, the Resolutions and certain matters relating to the security for the 2018 Bonds. Such descriptions and information do not purport to be comprehensive or definitive. All references herein to documents are qualified in their entirety by reference to such documents. Copies of such documents are available for inspection at the District by request to the Office of the Chief Financial Officer at (213) 241-7888 and, following delivery of the 2018 Bonds will be on file, as applicable, at the principal office of U.S. Bank National Association, as agent to the Treasurer and Tax Collector of the County, as paying agent (the "Paying Agent"), in Los Angeles, California.

PLAN OF FINANCE

The proceeds of the Series M Bonds will be applied to (1) fund the costs of various components of the Measure Y Projects in accordance with the ballot measure for the Measure Y Authorization, (2) fund a deposit to the related Interest and Sinking Funds to pay certain interest on the Tax-Exempt Series M-1 Bonds and principal of and interest on the Taxable Series M-2 Bonds, and (3) pay costs of issuance of the Series M Bonds. The Measure Y Authorization was summarized to the District's voters as follows: "To reduce overcrowding and improve learning, shall the Los Angeles Unified School District: continue repair/upgrade of aging/deteriorating classrooms, restrooms; build up-to-date, energy efficient neighborhood schools; early childhood education centers; upgrade fire/earthquake safety, emergency response equipment; purchase library books; upgrade computer technology; eliminate asbestos, lead paint hazards by issuing $3.985 billion in bonds, at legal interest rates; with guaranteed annual financial/performance audits, citizens' oversight, no money for administrators' salaries?" The Measure Y Authorization includes a number of specifically identified school facilities, refinancing and other projects that can be funded with the proceeds of the Series M Bonds, including, among other things: (i) the creation of new classroom space and to reduce overcrowding at District schools; (ii) the provision of new seats through the acquisition, purchase, lease, construction, reconstruction, repair, rehabilitation, furnishing, and equipping of facilities for use as charter schools, and the furnishing and equipping of charter-operated facilities, pursuant to a program to be adopted by the District Board; (iii) the provision of new facilities opportunities through the acquisition, purchase, lease, construction, reconstruction, furnishing, and equipping of joint use facilities separate from and in conjunction with other construction and repair projects; (iv) provision, furnishing and equipping of new facilities, conversion of existing facilities, and reopening of closed facilities to provide for early-education and adult-education programs by means of acquisition, purchase, lease, construction, and reconstruction; (v) the provision of additional classrooms and seats to enable the District to offer full-day kindergarten where and when possible; (vi) the repair and upgrade of the District's existing facilities, as well as the furnishing and equipping of the District's new and existing facilities pursuant to Strategic Execution Plans of the District Board; and (vii) the repair, upgrade and modernization at various campuses District-wide.

The proceeds of the Series B Bonds will be applied to (1) fund the costs of various components of the Measure Q Projects in accordance with the ballot measure for the Measure Q Authorization, (2) fund a deposit to the related Interest and Sinking Funds to pay certain interest on the Tax-Exempt Series B-1 Bonds and principal of and interest on the Taxable Series B-2 Bonds, and (3) pay costs of issuance of the Series B Bonds. The Measure Q Authorization was summarized to the District's voters as follows: "To improve student health, safety and educational quality, shall the Los Angeles Unified School District: continue repair/upgrade of aging/deteriorating classrooms, restrooms; upgrade fire/earthquake safety; reduce asbestos, lead paint, air pollution, water quality hazards; build/upgrade specialized classrooms students need to meet job/college requirements; improve classroom Internet access by issuing $7 billion in bonds, at legal interest rates; with guaranteed annual audits, citizens' oversight, no increase in maximum tax rate?" The Measure Q Authorization includes a number of specifically identified school facilities, refinancing and other projects that can be funded with the proceeds of the Series B Bonds, including, among other things: (i) the repair of aging and deteriorating classrooms and school buildings; (ii) increases to the capacity of school cafeterias and installation of equipment to make nutritious, healthy meals available to more students; (iii) upgrading deficient school buildings and providing needed buildings; (iv) the replacement of pipes and plumbing systems in schools to remove lead and improve water quality; (v) the installation and repair of fire safety equipment to meet State standards; (vi) renovations and replacement of school buildings to meet current earthquake safety standards; (vii) providing improvements to satisfy the Americans with Disabilities Act; (viii) improving air quality at schools by installing and upgrading filtration systems; (ix) replacement of the District's police emergency radio system; (x) providing security cameras at schools to ensure safety; (xi) the continuation of the District's asbestos hazard removal program; (xii) dedicating funds for future repair and safety priorities; (xiii) providing specialized classrooms (e.g. science labs) for courses which are necessary to college admission; (xiv) increasing internet capacity and availability at schools in order to access instructional technology; (xv) providing campus-wide renovations, upgrades and creation of small personalized learning environments including magnet schools; (xvi) providing back-up capacity to protect critical instructional, safety and business services from interruption; (xvii) modernization of classrooms to enable new instructional models and virtual learning communities; (xviii) dedicating funds for future modernization, repair and technology priorities; (xix) building new, small classrooms and reconfiguring existing classroom space for operation by the District, magnet schools, partners or affiliated charter schools; (xx) providing charter schools with reasonably equivalent new and existing school facilities; (xxi) creating career technology centers to provide career readiness skills; (xxii) building new centers and repair aging early childhood education centers to promote learning for youngest students; (xxiii) providing and upgrading adult and career education facilities; (xxiv) upgrading and reconfiguring special education centers; (xxv) leveraging partnerships to provide after school activities, programming and community use of facilities; (xxvi) installing renewable energy systems; (xxvii) replacing aging and polluting school buses; (xxviii) improving energy and water conservation at schools; and (xxix) dedicating funds for future green technology priorities.

ESTIMATED SOURCES AND USES OF FUNDS

The estimated sources and uses of funds with respect to the 2018 Bonds are as follows:

	Series M Bonds	Series B Bonds
Estimated Sources of Funds		
Principal Amount	$130,000,000.00	$1,220,000,000.00
Net Original Issue Premium	17,715,430.75	180,691,188.95
Total Sources	$147,715,430.75	$1,400,691,188.95
Estimated Uses of Funds		
Deposit to Construction Fund	$129,932,111.11	$1,219,362,888.89
Deposit to Interest and Sinking Fund(1)	17,568,123.99	179,315,826.72
Underwriters' Discount	147,306.76	1,375,362.23
Costs of Issuance(2)	67,888.89	637,111.11
Total Uses	$147,715,430.75	$1,400,691,188.95

(1) Amounts to pay certain interest on the Tax-Exempt Bonds and principal of and interest on the Taxable Bonds.
(2) Includes fees of Bond Counsel, Disclosure Counsel, Paying Agent, Municipal Advisors, rating agencies and the printer, and other miscellaneous expenses.

THE 2018 BONDS

General Provisions

The 2018 Bonds will be dated their date of delivery, will be issued in book-entry form only, without coupons, in denominations of $5,000 principal amount or any integral multiple thereof, and, when issued, will be initially registered in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"). DTC will act as securities depository for the 2018 Bonds. Owners will not receive physical certificates representing their interest in the 2018 Bonds purchased, except in the event that use of the book-entry system for the 2018 Bonds is discontinued. Payments of principal of, premium, if any, and interest on the 2018 Bonds will be made by the Paying Agent to DTC, which is obligated in turn to remit such payments to its DTC Participants for subsequent disbursement to the beneficial owners of the 2018 Bonds. For information about the securities depository and DTC's book-entry system, see Appendix C – "BOOK-ENTRY ONLY SYSTEM."

The 2018 Bonds mature in the years and on the dates set forth on the inside front cover page hereof. Interest on the Tax-Exempt Bonds is payable on each January 1 and July 1 to maturity, commencing July 1, 2018 (each a "Tax-Exempt Interest Payment Date"). Interest on the Taxable Bonds is payable on May 1, 2018 (together with the Tax-Exempt Interest Payment Dates, the "Interest Payment Dates"). Interest on the 2018 Bonds will be computed on the basis of a 360-day year of twelve 30-day months. Each 2018 Bond will bear interest from the Interest Payment Date next preceding the date of authentication thereof, unless it is authenticated as of a date during the period from the 15th day of the calendar month immediately preceding such Interest Payment Date, inclusive, whether or not such day is a business day (each a "Record Date") to such Interest Payment Date, in which event it shall bear interest from such Interest Payment Date, or unless it is authenticated on or before the Record Date preceding the first Interest Payment Date, in which event it shall bear interest from the date of delivery of the 2018 Bonds.

Redemption

Optional Redemption. The Taxable Bonds are not subject to redemption prior to their respective maturity date. The Tax-Exempt Bonds maturing on or after July 1, 2028, are subject to redemption prior to their respective stated maturity dates, at the option of the District, from any source of available funds, as a whole or in part on any date on or after January 1, 2028, at a redemption price equal to the principal amount of such Tax-Exempt Bonds called for redemption, together with interest accrued thereon to the date of redemption, without premium.

Mandatory Sinking Fund Redemption. The Series M Bonds maturing on July 1, 2042, bearing interest at the rate of 5.250% (the "2005-M Term Bonds"), are subject to mandatory sinking fund redemption on July 1 in each of the years and in the respective principal amounts as set forth in the following schedule, at a redemption price equal to 100% of the principal amount thereof to be redeemed, together with interest accrued thereon to the date fixed for redemption, without premium:

Mandatory Sinking Fund Redemption Date (July 1)	Principal Amount to be Redeemed
2039	$6,895,000
2040	7,255,000
2041	7,635,000
2042†	5,350,000

† Maturity.

The principal amount to be redeemed in each year shown above will be reduced proportionately, or as otherwise directed by the District, in integral multiples of $5,000 principal amount, by any portion of the 2005-M Term Bonds, optionally redeemed prior to the mandatory sinking fund redemption date.

The Series B Bonds maturing on July 1, 2042 (the "2008-B Term Bonds") are subject to mandatory sinking fund redemption on July 1 in each of the years and in the respective principal amounts as set forth in the following schedule, at a redemption price equal to 100% of the principal amount thereof to be redeemed, together with interest accrued thereon to the date fixed for redemption, without premium:

Mandatory Sinking Fund Redemption Date (July 1)	Principal Amount to be Redeemed
2039	$64,535,000
2040	67,925,000
2041	71,490,000
2042†	75,245,000

† Maturity.

The principal amount to be redeemed in each year shown above will be reduced proportionately, or as otherwise directed by the District, in integral multiples of $5,000 principal amount, by any portion of the 2008-B Term Bonds, optionally redeemed prior to the mandatory sinking fund redemption date.

Notice of Redemption. Notice of any redemption of the Tax-Exempt Bonds of a series will be mailed by the Paying Agent, postage prepaid, not less than 30 nor more than 60 days prior to the redemption date (i) by first class mail to the County and the respective Owners thereof at the addresses appearing on the Registration Books, and (ii) as may be further required in accordance with the applicable Continuing Disclosure Certificate. "Registration Books" means the records maintained by the Paying Agent for the registration of ownership and registration of transfer of the 2018 Bonds. "Continuing Disclosure Certificate" means the Continuing Disclosure Certificate executed and delivered by the District relating to the 2018 Bonds.

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

Effect of Notice. A certificate of the Paying Agent that the notice of redemption that has been given to Owners as described under "Notice of Redemption" above will be conclusive as against all parties. Neither the failure to receive the notice of redemption nor any defect in such notice will affect the sufficiency of the proceedings for the redemption of the Tax-Exempt Bonds called for redemption or the cessation of interest on the date fixed for redemption.

When notice of redemption has been given substantially as described under "Notice of Redemption" above, and when the redemption price of the Tax-Exempt Bonds called for redemption is set aside for such purpose, the Tax-Exempt Bonds designated for redemption will become due and payable on the specified redemption date and interest will cease to accrue thereon as of the redemption date, and upon presentation and surrender of such Tax-Exempt Bonds at the place specified in the notice of redemption, such Tax-Exempt Bonds will be redeemed and paid at the redemption price thereof out of the money provided therefor. The Owners of such Tax-Exempt Bonds so called for redemption after such redemption date will be entitled to payment thereof only from the related Interest and Sinking Fund or the trust fund established for such purpose. All Tax-Exempt Bonds redeemed will be cancelled forthwith by the Paying Agent and will not be reissued.

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

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

Defeasance and Unclaimed Moneys

Defeasance of 2018 Bonds. If at any time the District pays, or causes to be paid, or there shall otherwise be paid to the Owners of any or all of the outstanding 2018 Bonds of a series all or any part of the principal of and premium, if any, and interest on such 2018 Bonds at the times and in the manner provided in the County Resolution and in such 2018 Bonds, or as described in the following paragraph, or as otherwise provided by law consistent herewith, then such Owners of such 2018 Bonds shall cease to be entitled to the obligation of the District as provided in the County Resolution, and such obligation and all agreements and covenants of the District and of the County to such Owners under the County Resolution and under such 2018 Bonds shall thereupon be satisfied and discharged and shall terminate, except only that the District shall remain liable for payment of all principal of and premium, if any, and interest on such 2018 Bonds, but only out of monies on deposit in the related Interest and Sinking Fund or otherwise held in trust for such payment; and provided further, however, that the provisions described under "Unclaimed Monies" below shall apply in all events.

For purposes of the defeasance of 2018 Bonds, the District may pay and discharge any or all of the 2018 Bonds of a series by depositing in trust with the Paying Agent or an escrow agent, selected by the District, at or before maturity, money and/or Defeasance Securities (as defined herein), in an amount which will, together with the interest to accrue thereon and available monies then on deposit in the related Interest and Sinking Fund of the District, be fully sufficient to pay and discharge the indebtedness on such 2018 Bonds (including all principal, interest and redemption premiums) at or before their respective maturity dates.

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

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

Unclaimed Monies. Any money held in any fund created pursuant to the County Resolution, or by the Paying Agent in trust, for the payment of the principal of, premium, if any, or interest on the 2018 Bonds and remaining unclaimed for two years after the principal of all of the 2018 Bonds has become due and payable (whether by maturity or upon prior redemption) shall be transferred to any Interest and Sinking Fund of the District for payment of any outstanding bonds of the District payable from that fund; or, if no such bonds of the District are at such time outstanding, the monies shall be transferred to the general fund of the District as provided and permitted by law.

SECURITY AND SOURCE OF PAYMENT FOR THE 2018 BONDS

General Description

The 2018 Bonds are payable from *ad valorem* property taxes to be levied within the District pursuant to the California Constitution and other State law. In order to provide sufficient funds for repayment of principal and interest when due on the 2018 Bonds, the Board of Supervisors is empowered and is obligated to levy *ad valorem* taxes upon all property subject to taxation by the District, without limitation as to rate or amount (except as to certain personal property which is taxable at limited rates), for the payment of principal of and interest on the 2018 Bonds. When collected, such *ad valorem* property taxes are required by law to be deposited in the applicable Interest and Sinking Fund, which is required to be maintained by the County and may only be applied to pay the principal of, redemption premium, if any, and interest on the 2018 Bonds. Such taxes are in addition to, but separate from, other taxes levied upon property within the District that are deposited by the County in the General Fund of the District.

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

Statutory Lien on Taxes (Senate Bill 222)

In accordance with Section 15251 of the State Education Code, each series or subseries of the 2018 Bonds shall be secured by a statutory lien on all revenues received pursuant to the levy and collection of the tax for the applicable bond measure. As provided in such section, the lien shall automatically attach without further action or authorization by the District or the County and the lien shall be valid and binding from the time such series or subseries of the 2018 Bonds are executed and delivered, and the revenues received pursuant to the levy and collection of the tax shall be immediately subject to the lien, and the lien shall automatically attach to the revenues and be effective, binding, and enforceable against the District, its successors, transferees, and creditors, and all others asserting rights therein, irrespective of whether those parties have notice of the lien and without the need for any physical delivery, recordation, filing, or further act.

This statutory lien, by its terms, secures not only the 2018 Bonds, but also any other bonds of the District payable, as to both principal and interest, from the proceeds of *ad valorem* taxes that may be levied pursuant to paragraphs (2) and (3) of subdivision (b) of Section 1 of Article XIII A of the California Constitution. The statutory lien provision does not specify the relative priority of obligations so secured or a method of allocation in the event that the revenues received pursuant to the levy and collection of the tax are insufficient to pay all amounts then due and owing that are secured by the statutory lien.

Pledge of Tax Revenues

Pursuant to the District Resolution, the District pledges all revenues from the property taxes collected from the levy by the Board of Supervisors and amounts on deposit in each Interest and Sinking Fund of the District for the payment of the principal or redemption price of and interest on the related series of District General Obligation Bonds for each respective bond measure. The District Resolution provides that such pledge is valid and binding from the date thereof for the benefit of the owners of such series of District General Obligation Bonds and successors thereto. Pursuant to the District Resolution, the *ad valorem* property taxes and amounts held in each Interest and Sinking Fund of the District shall be immediately subject to such pledge, and the pledge constitutes a lien and security interest which shall immediately attach to the *ad valorem* property taxes and amounts held in such Interest and Sinking Fund of the District to secure the payment of the respective series of District General Obligation Bonds and, pursuant to the District Resolution, is effective, binding, and enforceable against the District, its successors, creditors and all others irrespective of whether those parties have notice of the pledge and without the need of any physical delivery, recordation, filing, or further act. The District Resolution provides that this pledge is an agreement between the District and the owners of each series of District General Obligation Bonds to provide security for the related issue of general obligation bonds of the District in addition to any statutory lien that may exist, and each such issue of general obligation bonds of the District are or were issued to finance one or more of the projects specified in the applicable approved measure and not to finance the general purposes of the District.

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

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

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

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

Article XIIIA has subsequently been amended to permit reduction of the full cash value base in the event of declining property values caused by damage, destruction or other factors, to provide that there would be no increase in the full cash value base in the event of reconstruction of property damaged or destroyed in a disaster and in other minor or technical ways. Proposition 8, approved by the voters in November of 1978, provides for the enrollment of the lesser of the base year value or the market value of real property, taking into account reductions in value due to damage, destruction, depreciation, obsolescence, removal of property, or other factors causing a similar decline. In these instances, the market value is required to be reviewed annually until the market value exceeds the base year value. The assessed value increases to its pre-reduction level (escalated to the annual inflation rate of no more than two percent) following the year(s) for which the reduction is applied. However, reductions in assessed value could result in a corresponding increase in the annual tax rate levied by the County to pay debt service on the 2018 Bonds.

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

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

Prospective purchasers of the 2018 Bonds should be aware that, notwithstanding any decrease in assessed valuation for any fiscal year, the County is required to levy sufficient taxes to pay debt service on the 2018 Bonds. The consequence of any decrease in assessed valuation is a corresponding increase in the tax rate on taxable property so that sufficient tax revenues may be collected from taxpayers to cover debt service on the 2018 Bonds in full.

Assessed Valuation of Property Within the District

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

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

The Fiscal Year 2017-18 Assessment Roll for property within the District's boundaries reflects an increase of approximately 6.36% in assessed value from the prior year. Under State law, in addition to reassessments requested by property owners pursuant to Proposition 8 (1978) when the current market value of property is less than assessed value as of January 1, the county assessor annually initiates reviews of property for reassessments due to decline-in-value. See "- Legislation Implementing Article XIIIA" above.

TABLE 2
LOS ANGELES UNIFIED SCHOOL DISTRICT
Historical Gross Assessed Valuation of Taxable Property[1]
Fiscal Years 2008-09 through 2017-18
($ in thousands)

Fiscal Year	Secured[2]	Unsecured	Total[2]	Change From Prior Year	Percent Change
2008-09	$451,191,875	$23,597,923	$474,789,798	$33,875,408	7.68%
2009-10	451,127,882	23,849,409	474,977,291	187,493	0.04
2010-11	442,092,473	21,753,078	463,845,551	(11,131,740)	(2.34)
2011-12	447,830,204	21,265,021	469,095,225	5,249,674	1.13
2012-13	458,767,053	21,308,439	480,075,492	10,980,267	2.34
2013-14	482,043,584	21,634,336	503,677,920	23,602,428	4.92
2014-15	510,371,502	22,562,705	532,934,207	29,256,287	5.81
2015-16	546,807,059	23,362,404	570,169,464	37,235,287	6.99
2016-17	581,473,213	24,495,794	605,969,007	35,799,543	6.28
2017-18	618,990,234	25,514,513	644,504,747	38,535,740	6.36

(1) Full cash value.
(2) Includes utility valuations.
Sources: Los Angeles Unified School District Comprehensive Annual Financial Report for Fiscal Years 2008-09 through 2015-16 and Los Angeles County Assessor for Fiscal Years 2016-17 and 2017-18.

Assessed Valuation by Jurisdiction. The following Table 3 describes the percentage and value of the total assessed value of the property within the District's boundaries that resides in the various cities and unincorporated portions of the County for Fiscal Year 2017-18.

TABLE 3
LOS ANGELES UNIFIED SCHOOL DISTRICT
2017-18 Assessed Valuation by Jurisdiction

Jurisdiction	Assessed Valuation in School District	% of District	Assessed Valuation of Jurisdiction	% of Jurisdiction in District
City of Bell	$ 1,398,930,114	0.22%	$ 1,761,082,811	79.44%
City of Bell Gardens	55,083,810	0.01	1,722,660,752	3.20
City of Beverly Hills	178,293,507	0.03	31,948,504,166	0.56
City of Calabasas	672,577	0.00	8,095,350,421	0.01
City of Carson	12,731,462,620	1.98	14,500,289,372	87.80
City of Commerce	301,920,809	0.05	5,266,605,000	5.73
City of Cudahy	792,292,760	0.12	792,507,389	99.97
City of Culver City	48,226,912	0.01	10,329,711,352	0.47
City of Downey	608	0.00	11,125,558,327	0.00
City of Gardena	6,005,395,708	0.93	6,005,395,708	100.00
City of Hawthorne	708,627,909	0.11	7,726,172,392	9.17
City of Huntington Park	2,877,802,840	0.45	2,877,802,840	100.00
City of Inglewood	35,755,594	0.01	8,557,056,828	0.42
City of Lomita	2,257,084,413	0.35	2,257,084,413	100.00
City of Long Beach	426,018,119	0.07	54,618,695,221	0.78
City of Los Angeles	567,568,976,981	88.06	567,920,922,344	99.94
City of Lynwood	51,522,227	0.01	3,199,274,095	1.61
City of Maywood	997,624,582	0.15	997,624,582	100.00
City of Montebello	6,598,636	0.00	5,710,091,139	0.12
City of Monterey Park	244,429,890	0.04	7,269,530,412	3.36
City of Rancho Palos Verdes	1,170,885,888	0.18	12,286,239,082	9.53
City of San Fernando	1,854,633,401	0.29	1,854,633,401	100.00
City of Santa Clarita	50,049	0.00	30,727,345,419	0.00
City of Santa Monica	994,923	0.00	34,427,831,562	0.00
City of South Gate	4,627,903,500	0.72	5,622,727,087	82.31
City of Torrance	24,886,163	0.00	29,406,296,032	0.08
City of Vernon	5,041,242,213	0.78	5,041,242,213	100.00
City of West Hollywood	11,444,102,707	1.78	11,444,102,707	100.00
Unincorporated Los Angeles County	23,653,327,710	3.67	101,883,899,033	23.22
Total District	$644,504,747,170	100.00%		
Total Assessed Valuation of Los Angeles County			$1,424,902,177,619	45.23%

Source: California Municipal Statistics Inc.

Secured Assessed Valuation by Land Use. The following Table 4 sets forth the secured assessed valuation by land use of property within the District in Fiscal Year 2017-18.

TABLE 4
LOS ANGELES UNIFIED SCHOOL DISTRICT
Secured Assessed Valuation and Parcels by Land Use
Fiscal Year 2017-18

	2017-18 Assessed Valuation[(1)]	% of Total	No. of Parcels	% of Total
Non-Residential:				
Commercial/Office Building	$102,619,672,305	16.58%	50,331	5.27%
Industrial	64,768,760,755	10.46	24,658	2.58
Recreational	2,099,265,547	0.34	997	0.10
Government/Social/Institutional	3,975,534,166	0.64	5,214	0.55
Miscellaneous	421,876,994	0.07	988	0.10
Subtotal Non-Residential	$173,885,109,767	28.09%	82,188	8.61%
Residential:				
Single Family Residence	$272,917,716,670	44.09%	572,013	59.95%
Condominium/Townhouse	58,817,314,246	9.50	133,121	13.95
Mobile Home Related	440,644,653	0.07	341	0.04
2-4 Residential Units	40,887,204,310	6.61	96,301	10.09
5+ Residential Units/Apartments	67,857,123,532	10.96	41,334	4.33
Miscellaneous Residential	45,838,808	0.01	233	0.02
Subtotal Residential	$440,965,842,219	71.24%	843,343	88.39%
Vacant Parcels	$4,139,282,198	0.67%	28,620	3.00%
Total	$618,990,234,184	100.00%	954,151	100.00%

(1) Excludes tax-exempt property and utility valuation.
Source: California Municipal Statistics, Inc.

Assessed Valuation of Single-Family Homes. The following Table 5 sets forth the distribution of single-family homes within the District within various assessed valuation ranges in Fiscal Year 2017-18.

TABLE 5
LOS ANGELES UNIFIED SCHOOL DISTRICT
Assessed Valuations of Single Family Homes Per Parcel
Fiscal Year 2017-18

	No. of Parcels	2017-18 Assessed Valuation	Average Assessed Valuation	Median Assessed Valuation
Single-Family Residential	572,013	$272,917,716,670	$477,118	$312,564

2017-18 Assessed Valuation	No. of Parcels[1]	% of Total	Cumulative % of Total	Total Valuation	% of Total	Cumulative % of Total
$0 -$99,999	45,508	7.956%	7.956%	$ 3,380,070,512	1.238%	1.238%
$100,000 - $199,999	101,492	17.743	25.699	16,358,530,350	5.994	7.232
$200,000 - $299,999	127,956	22.369	48.068	32,081,920,744	11.755	18.988
$300,000 - $399,999	98,683	17.252	65.320	34,865,718,175	12.775	31.763
$400,000 - $499,999	53,775	9.401	74.721	24,559,748,852	8.999	40.762
$500,000 - $599,999	40,603	7.098	81.819	22,437,293,735	8.221	48.983
$600,000 - $699,999	24,649	4.309	86.128	16,144,385,687	5.915	54.898
$700,000 - $799,999	16,705	2.920	89.049	12,596,807,428	4.616	59.514
$800,000 - $899,999	12,027	2.103	91.151	10,272,867,279	3.764	63.278
$900,000 - $999,999	9,411	1.645	92.797	8,973,168,216	3.288	66.566
$1,000,000 - $1,099,999	4,100	0.717	93.513	4,344,187,896	1.592	68.158
$1,100,000 - $1,199,999	4,192	0.733	94.246	4,815,596,587	1.764	69.922
$1,200,000 - $1,299,999	3,608	0.631	94.877	4,503,790,870	1.650	71.573
$1,300,000 - $1,399,999	3,229	0.564	95.442	4,352,162,239	1.595	73.167
$1,400,000 - $1,499,999	2,885	0.504	95.946	4,177,617,306	1.531	74.698
$1,500,000 - $1,599,999	2,457	0.430	96.375	3,804,537,298	1.394	76.092
$1,600,000 - $1,699,999	2,107	0.368	96.744	3,473,780,741	1.273	77.365
$1,700,000 - $1,799,999	1,909	0.334	97.078	3,340,143,072	1.224	78.589
$1,800,000 - $1,899,999	1,598	0.279	97.357	2,953,728,072	1.082	79.671
$1,900,000 - $1,999,999	1,316	0.230	97.587	2,564,829,519	0.940	80.611
$2,000,000 and greater	13,803	2.413	100.000	52,916,832,092	19.389	100.000
Total	572,013	100.000%		$272,917,716,670	100.000%	

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

Largest Taxpayers in the District. The following Table 6 sets forth the twenty taxpayers with the greatest combined ownership of taxable property in the District on the Fiscal Year 2017-18 tax roll, and the assessed valuation of all property owned by those taxpayers in all taxing jurisdictions within the District.

TABLE 6
LOS ANGELES UNIFIED SCHOOL DISTRICT
Largest Local Secured Taxpayers[(1)]
Fiscal Year 2017-18

	Property Owner	Primary Land Use	2017-18 Assessed Valuation	% of Total[(2)]
1.	Douglas Emmett LLC	Office Building	$ 2,789,993,123	0.45%
2.	Universal Studios LLC	Movie Studio	2,410,256,527	0.39
3.	Essex Portfolio LP	Apartments	1,403,756,659	0.23
4.	FSP South Flower Street Associates LLC	Office Building	899,773,192	0.15
5.	Rochelle H. Sterling	Apartments	753,506,679	0.12
6.	Anheuser Busch Inc.	Industrial	744,693,400	0.12
7.	One Hundred Towers LLC	Office Building	639,863,052	0.10
8.	Century City Mall LLC	Shopping Center	639,283,209	0.10
9.	Trizec 333 LA LLC	Office Building	628,423,753	0.10
10.	Maguire Partners 355 S. Grand LLC	Office Building	587,705,494	0.09
11.	Tishman Speyer Archstone Smith	Apartments	561,092,724	0.09
12.	Olympic and Georgia Partners LLC	Hotel	552,606,051	0.09
13.	BRE HH Property Owner LLC	Office Building	531,505,280	0.09
14.	Paramount Pictures Corp.	Industrial/Studio	530,130,218	0.09
15.	LA Live Properties LLC	Commercial	529,177,801	0.09
16.	Palmer Flower Street Properties	Apartments	520,211,514	0.08
17.	Maguire Properties 555 W. Fifth	Office Building	515,426,282	0.08
18.	CJDB LLC, Lessor	Shopping Center	506,431,855	0.08
19.	Casden Park, La Brea A, B & C LLC	Apartments	496,172,734	0.08
20.	Maguire Properties 355 S. Grand	Office Building	473,197,930	0.08
			$16,713,207,477	2.70%

(1) Excludes taxpayers with values derived from mineral rights or a possessory interest. Historically, among the top 10 taxpayers within the District are landowners with primary land use of oil and gas production, including Atlantic Richfield Company, Tosco Corporation and Ultramar Inc., which are not reflected in the table above.
(2) 2017-18 Local Secured Assessed Valuation: $618,990,234,184.
Source: California Municipal Statistics, Inc.

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

Tax Rates, Levies and Collections

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

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

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

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

Proposition 13 and its implementing legislation impose the function of property tax allocation on counties in the State and prescribe how levies on countywide property values are to be shared with local taxing entities within each county. The limitations in Proposition 13, however, do not apply to *ad valorem* property taxes or special assessments to pay the interest and redemption charges on indebtedness, like the District's general obligation bonds, approved by the voters.

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

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

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

Typical Tax Rate Area. The following Table 7 shows *ad valorem* property tax rates for the last five fiscal years in a typical Tax Rate Area of the District (TRA 0067). TRA 0067 comprises approximately 30.18% of the total Fiscal Year 2017-18 assessed value of the District.

TABLE 7
LOS ANGELES UNIFIED SCHOOL DISTRICT
Typical Tax Rates per $100 of Assessed Valuation[3]
(TRA 0067)
Fiscal Years 2013-14 through 2017-18

	2013-14	2014-15	2015-16	2016-17	2017-18
General	1.000000%	1.000000%	1.000000%	1.000000%	1.000000%
Los Angeles Unified School District[1]	0.146439	0.146881	0.129709	0.131096	0.122192
Los Angeles Community College District[1]	0.044541	0.040174	0.035755	0.035956	0.045990
City of Los Angeles[1]	0.029754	0.028096	0.023030	0.021297	0.021345
Metropolitan Water District of Southern California[2]	0.003500	0.003500	0.003500	0.003500	0.003500
Total	1.224234%	1.218651%	1.191994%	1.191849%	1.193027%

(1) Tax rate relates to bonds authorized by voters subsequent to the approval of Proposition 13.
(2) Tax rate relates to bonds authorized by voters pursuant to a special election held in 1966 (prior to the approval of Proposition 13) in the service area of the Metropolitan Water District of Southern California.
(3) 2017-18 assessed valuation of TRA 67 is $194,494,899,701 which is 30.18% of the District's total assessed valuation.
Source: California Municipal Statistics, Inc.

Secured Tax Charges and Delinquencies. The following Table 8 sets forth a recent history of real property tax collections and delinquencies in the District.

TABLE 8
LOS ANGELES UNIFIED SCHOOL DISTRICT
Secured Tax Charges and Delinquencies
Fiscal Years 2012-13 through 2016-17

1% General Fund Apportionment Levy[(1)]

Fiscal Year	Secured Tax Charge	Amount Delinquent June 30	Percentage Delinquent June 30
2012-13	$ 902,226,492.99	$16,221,577.19	1.80%
2013-14	948,210,266.65	13,991,567.53	1.48
2014-15	1,005,565,868.63	14,501,753.32	1.44
2015-16	1,078,286,485.58	15,318,415.41	1.42
2016-17	1,142,718,955.32	13,595,654.87	1.19

District General Obligation Bond Debt Service Levy[(2)]

Fiscal Year	Secured Tax Charge	Amount Delinquent June 30	Percentage Delinquent June 30
2012-13	$804,427,306.78	$15,045,215.20	1.87%
2013-14	707,334,806.26	11,937,445.89	1.69
2014-15	752,855,468.94	13,128,310.26	1.74
2015-16	711,852,286.31	10,350,374.48	1.45
2016-17	762,679,169.42	10,152,397.66	1.33

(1) 1% General Fund Apportionment only. Excludes redevelopment agency impounds. Reflects county-wide delinquency rate.
(2) District's general obligation bond debt service levy only.
Source: California Municipal Statistics, Inc.

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

The District is a member of the California Statewide Delinquent Tax Finance Authority ("CSDTFA"). CSDTFA is a joint exercise of powers agency formed for the purpose of purchasing delinquent *ad valorem* property taxes of its members in accordance with Section 6516.6 of the Government Code of the State of California. The District anticipates that CSDTFA will from time to time purchase delinquent *ad valorem* property tax receivables related to the District's share of the 1% general *ad valorem* property tax levy (not the additional *ad valorem* property tax levy for debt service on the District's general obligation bonds) from the District. CSDTFA purchased the District's delinquent *ad valorem* tax receivables related to the 1% general *ad valorem* property tax levy attributable to Fiscal Year 2016-17 from the District at a purchase price equal to 110% of such receivables. Any penalty charges collected with respect to such delinquencies will be retained by CSDTFA.

Debt Service

Debt service on the 2018 Bonds, assuming no early redemptions, is as shown in the following Table 9.

TABLE 9
LOS ANGELES UNIFIED SCHOOL DISTRICT
(County of Los Angeles, California)
Annual Debt Schedule for the 2018 Bonds

Year Ending	Series M Bonds				Series B Bonds				Total
	Tax-Exempt		Taxable		Tax-Exempt		Taxable		
July 1,	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Debt Service
2018[1]	$ --	$ 1,748,455.28	$12,995,000.00	$35,393.33	$ --	$ 17,117,848.16	$134,560,000.00	$366,489.11	$ 166,823,185.88
2019	2,840,000.00	5,570,300.00	--	--	24,660,000.00	54,534,737.50	--	--	87,605,037.50
2020	2,900,000.00	5,513,500.00	--	--	25,845,000.00	53,351,037.50	--	--	87,609,537.50
2021	3,045,000.00	5,368,500.00	--	--	27,115,000.00	52,077,287.50	--	--	87,605,787.50
2022	3,195,000.00	5,216,250.00	--	--	28,455,000.00	50,741,537.50	--	--	87,607,787.50
2023	3,290,000.00	5,120,400.00	--	--	29,855,000.00	49,341,337.50	--	--	87,606,737.50
2024	3,390,000.00	5,021,700.00	--	--	31,335,000.00	47,857,237.50	--	--	87,603,937.50
2025	3,545,000.00	4,863,800.00	--	--	32,720,000.00	46,472,987.50	--	--	87,601,787.50
2026	3,715,000.00	4,697,550.00	--	--	34,255,000.00	44,939,987.50	--	--	87,607,537.50
2027	3,875,000.00	4,536,300.00	--	--	35,935,000.00	43,257,987.50	--	--	87,604,287.50
2028	4,070,000.00	4,342,550.00	--	--	37,735,000.00	41,461,237.50	--	--	87,608,787.50
2029	4,240,000.00	4,172,050.00	--	--	39,620,000.00	39,574,487.50	--	--	87,606,537.50
2030	4,450,000.00	3,960,050.00	--	--	41,600,000.00	37,593,487.50	--	--	87,603,537.50
2031	4,675,000.00	3,737,550.00	--	--	43,680,000.00	35,513,487.50	--	--	87,606,037.50
2032	4,905,000.00	3,503,800.00	--	--	45,865,000.00	33,329,487.50	--	--	87,603,287.50
2033	5,155,000.00	3,258,550.00	--	--	48,160,000.00	31,036,237.50	--	--	87,609,787.50
2034	5,410,000.00	3,000,800.00	--	--	50,565,000.00	28,628,237.50	--	--	87,604,037.50
2035	5,680,000.00	2,730,300.00	--	--	53,095,000.00	26,099,987.50	--	--	87,605,287.50
2036	5,965,000.00	2,446,300.00	--	--	55,750,000.00	23,445,237.50	--	--	87,606,537.50
2037	6,265,000.00	2,148,050.00	--	--	58,535,000.00	20,657,737.50	--	--	87,605,787.50
2038	6,575,000.00	1,834,800.00	--	--	61,465,000.00	17,730,987.50	--	--	87,605,787.50
2039	6,895,000.00	1,518,562.50	--	--	64,535,000.00	14,657,737.50	--	--	87,606,300.00
2040	7,255,000.00	1,156,575.00	--	--	67,925,000.00	11,269,650.00	--	--	87,606,225.00
2041	7,635,000.00	775,687.50	--	--	71,490,000.00	7,703,587.50	--	--	87,604,275.00
2042	8,035,000.00	374,850.00	--	--	75,245,000.00	3,950,362.50	--	--	87,605,212.50
Total	$117,005,000.00	$86,617,230.28	$12,995,000.00	$35,393.33	$1,085,440,000.00	$832,343,935.66	$134,560,000.00	$366,489.11	$2,269,363,048.38

(1) Principal of and interest on the Taxable Bonds due May 1, 2018, will be payable from deposits of 2018 Bond proceeds to the Interest and Sinking Funds.
Source: Los Angeles Unified School District.

Aggregate Fiscal Year Debt Service

The following Table 10 sets forth the semi-annual debt service obligations in each fiscal year for the 2018 Bonds and all of the District's outstanding general obligation bonds. See Appendix A – "DISTRICT FINANCIAL INFORMATION AND REGIONAL ECONOMIC AND DEMOGRAPHIC INFORMATION – District Financial Information – District Debt."

TABLE 10
LOS ANGELES UNIFIED SCHOOL DISTRICT
General Obligation Bonds, Semi-Annual Debt Service Schedule
($ in Millions)

		The 2018 Bonds			
Semi-Annual Period Ending	Outstanding General Obligation Bonds[1]	Principal	Interest	Semi Annual Debt Service	Total[3]
July 1, 2018	$671.86	$147.56	$19.27	$166.82	$838.68
January 1, 2019	233.53	--	30.05	30.05	263.58
July 1, 2019	676.34	27.50	30.05	57.55	733.89
January 1, 2020	224.10	--	29.43	29.43	253.54
July 1, 2020	696.47	28.75	29.43	58.18	754.64
January 1, 2021	212.72	--	28.72	28.72	241.44
July 1, 2021	715.75	30.16	28.72	58.88	774.63
January 1, 2022	202.16	--	27.98	27.98	230.14
July 1, 2022	741.66	31.65	27.98	59.63	801.29
January 1, 2023	190.85	--	27.23	27.23	218.08
July 1, 2023	748.38	33.15	27.23	60.38	808.75
January 1, 2024	179.00	--	26.44	26.44	205.44
July 1, 2024	762.38	34.73	26.44	61.16	823.54
January 1, 2025	166.48	--	25.67	25.67	192.15
July 1, 2025	731.25	36.27	25.67	61.93	793.18
January 1, 2026	153.30	--	24.82	24.82	178.12
July 1, 2026	720.04	37.97	24.82	62.79	782.83
January 1, 2027	138.36	--	23.90	23.90	162.25
July 1, 2027	663.45	39.81	23.90	63.71	727.16
January 1, 2028	125.58	--	22.90	22.90	148.48
July 1, 2028	553.77	41.81	22.90	64.71	618.48
January 1, 2029	105.55	--	21.87	21.87	127.43
July 1, 2029	580.74	43.86	21.87	65.73	646.48
January 1, 2030	93.43	--	20.78	20.78	114.20
July 1, 2030	608.82	46.05	20.78	66.83	675.64
January 1, 2031	78.92	--	19.63	19.63	98.54
July 1, 2031	640.14	48.36	19.63	67.98	708.12
January 1, 2032	63.54	--	18.42	18.42	81.96
July 1, 2032	672.59	50.77	18.42	69.19	741.78
January 1, 2033	46.11	--	17.15	17.15	63.26
July 1, 2033	673.83	53.32	17.15	70.46	744.29
January 1, 2034	60.02	--	15.81	15.81	75.84
July 1, 2034	733.80	55.98	15.81	71.79	805.59
January 1, 2035	4.95	--	14.42	14.42	19.37
July 1, 2035	39.71	58.78	14.42	73.19	112.90
January 1, 2036	4.26	--	12.95	12.95	17.21
July 1, 2036	40.40	61.72	12.95	74.66	115.07
January 1, 2037	3.63	--	11.40	11.40	15.03
July 1, 2037	41.04	64.80	11.40	76.20	117.24
January 1, 2038	2.79	--	9.78	9.78	12.57
July 1, 2038	41.88	68.04	9.78	77.82	119.70
January 1, 2039	1.90	--	8.09	8.09	9.99
July 1, 2039	42.76	71.43	8.09	79.52	122.28
January 1, 2040	0.97	--	6.21	6.21	7.19
July 1, 2040	43.69	75.18	6.21	81.39	125.08
January 1, 2041	--	--	4.24	4.24	4.24
July 1, 2041	--	79.13	4.24	83.36	83.36
January 1, 2042	--	--	2.16	2.16	2.16
July 1, 2042	--	83.28	2.16	85.44	85.44
TOTAL[2]	$14,132.89	$1,350.00	$919.36	$2,269.36	$16,402.25

(1) Includes set-aside payments for Qualified School Construction Bonds. Excludes federal subsides related to Build America Bonds and Qualified School Construction Bonds. See Appendix A – "DISTRICT FINANCIAL INFORMATION AND REGIONAL ECONOMIC AND DEMOGRAPHIC INFORMATION – District Financial Information – District Debt – Limitations on the Receipt of Federal Funds."

(2) Principal of and interest on the Taxable Bonds due May 1, 2018, will be payable from deposits of 2018 Bond proceeds to the Interest and Sinking Funds.

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

Source: Los Angeles Unified School District.

The District's General Obligation Bond Program and Bonding Capacity

Voters within the District have approved a total of $20.605 billion of general obligation bonds in five separate bond elections since 1997. See Appendix A – "DISTRICT FINANCIAL INFORMATION AND REGIONAL ECONOMIC AND DEMOGRAPHIC INFORMATION – DISTRICT FINANCIAL INFORMATION – District Debt" attached hereto for additional information regarding the District's outstanding general obligation bonds. Pursuant to Section 15106 of the State Education Code, the District's bonding capacity for general obligation bonds may not exceed 2.5% of taxable property value in the District as shown by the last equalized assessment of the County. The taxable property valuation in the District for Fiscal Year 2017-18 is approximately $644.5 billion, which results in a total current bonding capacity of approximately $16.1 billion. The District's available capacity for the issuance of new general obligation bonds is approximately $5.4 billion (after taking into account the issuance of the 2018 Bonds). The issuance of additional series of general obligation bonds, other than general obligation refunding bonds, in future years will depend upon, among other things, the assessed valuation of property within the District's boundaries, as determined by the District's analysis of information from, among other sources, the Office of the County Assessor. See "SECURITY AND SOURCE OF PAYMENT FOR THE 2018 BONDS – California Constitutional and Statutory Provisions Relating to *Ad Valorem* Property Taxes."

Overlapping Debt Obligations

Set forth in Table 11 on the following page is the report prepared by California Municipal Statistics Inc. prepared on January 24, 2018, which provides information with respect to direct and overlapping debt within the District as of February 1, 2018 (the "Overlapping Debt Report"). The Overlapping Debt Report is included for general information purposes only. The District and the Underwriters have not reviewed the Overlapping Debt Report for completeness or accuracy and make no representations in connection therewith.

The Overlapping Debt Report generally includes long-term obligations sold in the public credit markets by public agencies whose boundaries overlap the boundaries of the District. Such long-term obligations generally are not payable from revenues of the District (except as indicated) nor are they necessarily obligations secured by land within the District. In many cases, long-term obligations issued by a public agency are payable only from the general fund or other revenues of such public agency.

The first column in Table 11 names each public agency which has outstanding debt as of the date of the report and whose territory overlaps the District in whole or in part. Column 2 shows the percentage of each overlapping agency's assessed value located within the boundaries of the District. This percentage, multiplied by the total outstanding debt of each overlapping agency (which is not shown in Table 11) produces the amount shown in column 3, which is the apportionment of each overlapping agency's outstanding debt to taxable property in the District.

TABLE 11
LOS ANGELES UNIFIED SCHOOL DISTRICT
Schedule of Direct and Overlapping Bonded Debt
As of February 1, 2018

2017-18 Assessed Valuation: $644,504,747,170

DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:	% Applicable	Debt 2/1/18
Metropolitan Water District	23.428%	$ 17,548,743
Los Angeles Community College District	81.156	3,380,820,995
Pasadena Area Community College District	0.001	771
Los Angeles Unified School District	100.000	9,401,705,000[1]
City of Los Angeles	99.938	699,775,870
Other Cities	Various	22,937,309
City Community Facilities Districts	100.000	82,105,000
Other City and Special District 1915 Act Bonds	99.899 -100.000	19,910,264
Los Angeles County Regional Park & Open Space Assessment District	45.232	12,020,404
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		$13,636,824,356
DIRECT AND OVERLAPPING GENERAL FUND DEBT:		
Los Angeles County General Fund Obligations	45.232%	$ 874,962,627
Los Angeles County Superintendent of Schools Certificates of Participation	45.232	2,940,218
Los Angeles Unified School District Certificates of Participation	100.000	195,975,000
City of Los Angeles General Fund and Judgment Obligations	99.938	1,466,739,788
Other City General Fund and Pension Obligation Bonds	Various	231,847,308
Los Angeles County Sanitation District Nos. 1,2,4,5,8,9,16 & 23 Authorities	Various	15,981,881
TOTAL GROSS DIRECT AND OVERLAPPING GENERAL FUND DEBT		$2,788,446,822
Less: Los Angeles Unified School District Qualified Zone Academy Bonds:		
Amount accumulated in Sinking Fund for repayment of 2005 QZAB		5,852,571
City supported obligations		358,558
TOTAL NET DIRECT AND OVERLAPPING GENERAL FUND DEBT		$2,782,235,693
OVERLAPPING TAX INCREMENT DEBT:		
City of Los Angeles Redevelopment Agency (Successor Agency)	100.000%	$440,930,000
Other Redevelopment Agencies (Successor Agency)	Various	384,267,342
TOTAL OVERLAPPING TAX INCREMENT DEBT		$825,197,342
GROSS COMBINED TOTAL DEBT		$17,250,468,520[2]
NET COMBINED TOTAL DEBT		$17,244,257,391

(1) Excludes the 2018 Bonds.
(2) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and non-bonded capital lease obligations.

Ratios to 2017-18 Assessed Valuation:
- Direct Debt ($9,401,705,000) 1.46%
- Total Overlapping Tax and Assessment Debt..................................2.12%
- Gross Combined Direct Debt ($9,597,680,000)..............................1.49%
- Net Combined Direct Debt ($9,591,827,429) 1.49%
- Gross Combined Total Debt 2.68%
- Net Combined Total Debt..2.68%

Ratios to Redevelopment Incremental Valuation ($66,350,800,859):
- Total Overlapping Tax Increment Debt 1.24%

Source: California Municipal Statistics, Inc.

TAX MATTERS

Tax-Exempt Bonds

In the opinion of Orrick, Herrington & Sutcliffe LLP, bond counsel to the District ("Bond Counsel"), based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Tax-Exempt Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the "Code") and is exempt from State of California personal income taxes. Bond Counsel is of the further opinion that interest on the Tax-Exempt Bonds is not a specific preference item for purposes of the federal alternative minimum tax. A complete copy of the proposed form of opinion of Bond Counsel is set forth in Appendix D hereto.

To the extent the issue price of any maturity of the Tax-Exempt Bonds is less than the amount to be paid at maturity of such Tax-Exempt Bonds (excluding amounts stated to be interest and payable at least annually over the term of such Tax-Exempt Bonds), the difference constitutes "original issue discount," the accrual of which, to the extent properly allocable to each Beneficial Owner thereof, is treated as interest on the Tax-Exempt Bonds which is excluded from gross income for federal income tax purposes and State of California personal income taxes. For this purpose, the issue price of a particular maturity of the Tax-Exempt Bonds is the first price at which a substantial amount of such maturity of the Tax-Exempt Bonds is sold to the public (excluding bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers). The original issue discount with respect to any maturity of the Tax-Exempt Bonds accrues daily over the term to maturity of such Tax-Exempt Bonds on the basis of a constant interest rate compounded semiannually (with straight-line interpolations between compounding dates). The accruing original issue discount is added to the adjusted basis of such Tax-Exempt Bonds to determine taxable gain or loss upon disposition (including sale, redemption, or payment on maturity) of such Tax-Exempt Bonds. Beneficial Owners of the Tax-Exempt Bonds should consult their own tax advisors with respect to the tax consequences of ownership of Tax-Exempt Bonds with original issue discount, including the treatment of Beneficial Owners who do not purchase such Tax-Exempt Bonds in the original offering to the public at the first price at which a substantial amount of such Tax-Exempt Bonds is sold to the public.

Tax-Exempt Bonds purchased, whether at original issuance or otherwise, for an amount higher than their principal amount payable at maturity (or, in some cases, at their earlier call date) ("Premium Bonds") will be treated as having amortizable bond premium. No deduction is allowable for the amortizable bond premium in the case of bonds, like the Premium Bonds, the interest on which is excluded from gross income for federal income tax purposes. However, the amount of tax-exempt interest received, and a Beneficial Owner's basis in a Premium Bond, will be reduced by the amount of amortizable bond premium properly allocable to such Beneficial Owner. Beneficial Owners of Premium Bonds should consult their own tax advisors with respect to the proper treatment of amortizable bond premium in their particular circumstances.

The Code imposes various restrictions, conditions and requirements relating to the exclusion from gross income for federal income tax purposes of interest on obligations such as the Tax-Exempt Bonds. The District has made certain representations and covenanted to comply with certain restrictions, conditions and requirements designed to ensure that interest on the Tax-Exempt Bonds will not be included in federal gross income. Inaccuracy of these representations or failure to comply with these covenants may result in interest on the Tax-Exempt Bonds being included in gross income for federal income tax purposes, possibly from the date of original issuance of the Tax-Exempt Bonds. The opinion of Bond Counsel assumes the accuracy of these representations and compliance with these covenants. Bond Counsel has not undertaken to determine (or to inform any person) whether any actions taken (or not taken), or events occurring (or not occurring), or any other matters coming to Bond Counsel's attention after the date of issuance of the Tax-Exempt Bonds may adversely affect the value of, or the tax status of interest on, the Tax-Exempt Bonds. Accordingly, the opinion of Bond Counsel is not intended to, and may not, be relied upon in connection with any such actions, events or matters.

Although Bond Counsel is of the opinion that interest on the Tax-Exempt Bonds is excluded from gross income for federal income tax purposes and is exempt from State of California personal income taxes, the ownership or disposition of, or the accrual or receipt of amounts treated as interest on, the Tax-Exempt Bonds may otherwise affect a Beneficial Owner's federal, state or local tax liability. The nature and extent of these other tax consequences depends upon the particular tax status of the Beneficial Owner or the Beneficial Owner's other items of income or deduction. Bond Counsel expresses no opinion regarding any such other tax consequences.

Current and future legislative proposals, if enacted into law, clarification of the Code or court decisions may cause interest on the Tax-Exempt Bonds to be subject, directly or indirectly, in whole or in part, to federal income taxation or to be subject to or exempted from state income taxation, or otherwise prevent Beneficial Owners from realizing the full current benefit of the tax status of such interest. The introduction or enactment of any such legislative proposals or clarification of the Code or court decisions may also affect, perhaps significantly, the market price for, or marketability of, the Tax-Exempt Bonds. Prospective purchasers of the Tax-Exempt Bonds should consult their own tax advisors regarding the potential impact of any pending or proposed federal or state tax legislation, regulations or litigation, as to which Bond Counsel is expected to express no opinion.

The opinion of Bond Counsel is based on current legal authority, covers certain matters not directly addressed by such authorities, and represents Bond Counsel's judgment as to the proper treatment of the Tax-Exempt Bonds for federal income tax purposes. It is not binding on the Internal Revenue Service ("IRS") or the courts. Furthermore, Bond Counsel cannot give and has not given any opinion or assurance about the future activities of the District or about the effect of future changes in the Code, the applicable regulations, the interpretation thereof or the enforcement thereof by the IRS. The District has covenanted, however, to comply with the requirements of the Code.

Bond Counsel's engagement with respect to the Tax-Exempt Bonds ends with the issuance of the Tax-Exempt Bonds, and, unless separately engaged, Bond Counsel is not obligated to defend the District or the Beneficial Owners regarding the tax-exempt status of the Tax-Exempt Bonds in the event of an audit examination by the IRS. Under current procedures, parties other than the District and its appointed counsel, including the Beneficial Owners, would have little, if any, right to participate in the audit examination process. Moreover, because achieving judicial review in connection with an audit examination of tax-exempt bonds is difficult, obtaining an independent review of IRS positions with which the District legitimately disagrees, may not be practicable. Any action of the IRS, including but not limited to selection of the Tax-Exempt Bonds for audit, or the course or result of such audit, or an audit of bonds presenting similar tax issues may affect the market price for, or the marketability of, the Tax-Exempt Bonds, and may cause the District or the Beneficial Owners to incur significant expense.

Taxable Bonds

In the opinion of Bond Counsel, based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Taxable Bonds is exempt from State of California personal income taxes. Interest on the Taxable Bonds is not excluded from gross income for federal income tax purposes under Section 103 of the Code. Bond Counsel expresses no opinion regarding any other tax consequences relating to the ownership or disposition of, or the amount, accrual, or receipt of interest on, the Taxable Bonds. The proposed form of opinion of Bond Counsel is contained in Appendix D hereto.

The following discussion summarizes certain U.S. federal tax considerations generally applicable to holders of the Taxable Bonds that acquire their Taxable Bonds in the initial offering. The discussion below is based upon laws, regulations, rulings, and decisions in effect and available on the date hereof, all of which are subject to change, possibly with retroactive effect. Prospective investors should note that no rulings have been or are expected to be sought from the IRS with respect to any of the U.S. federal tax consequences discussed below, and no assurance can be given that the IRS will not take contrary positions. Further, the following discussion does not deal with U.S. tax consequences applicable to any given investor, nor does it address the U.S. tax considerations applicable to all categories of investors, some of which may be subject to special taxing rules (regardless of whether or not such investors constitute U.S. Holders), such as certain U.S. expatriates, banks, REITs, RICs, insurance companies, tax-exempt organizations, dealers or traders in securities or currencies, partnerships, S corporations, estates and trusts, investors that hold their Taxable Bonds as part of a hedge, straddle or an integrated or conversion transaction, or investors whose "functional currency" is not the U.S. dollar. Furthermore, it does not address (i) alternative minimum tax consequences, (ii) the net investment income tax imposed under Section 1411 of the Code, or (iii) the indirect effects on persons who hold equity interests in a holder. This summary also does not consider the taxation of the Taxable Bonds under state, local or non-U.S. tax laws. In addition, this summary generally is limited to U.S. tax considerations applicable to investors that acquire their Taxable Bonds pursuant to this offering for the issue price that is applicable to such Taxable Bonds (i.e., the price at which a substantial amount of the Taxable Bonds are sold to the public) and who will hold their Taxable Bonds as "capital assets" within the meaning of Section 1221 of the Code.

As used herein, "U.S. Holder" means a beneficial owner of a Taxable Bond that for U.S. federal income tax purposes is an individual citizen or resident of the United States, a corporation or other entity taxable as a corporation created or organized in or under the laws of the United States or any state thereof (including the District of Columbia), an estate the income of which is subject to U.S. federal income taxation regardless of its source or a trust where a court within the United States is able to exercise primary supervision over the administration of the trust and one or more United States persons (as defined in the Code) have the authority to control all substantial decisions of the trust (or a trust that has made a valid election under U.S. Treasury Regulations to be treated as a domestic trust). As used herein, "Non-U.S. Holder" generally means a beneficial owner of a Taxable Bond (other than a partnership) that is not a U.S. Holder. If a partnership holds Taxable Bonds, the tax treatment of such partnership or a partner in such partnership generally will depend upon the status of the partner and upon the activities of the partnership. Partnerships holding Taxable Bonds, and partners in such partnerships, should consult their own tax advisors regarding the tax consequences of an investment in the Taxable Bonds (including their status as U.S. Holders or Non-U.S. Holders).

Notwithstanding the rules described below, it should be noted that, under newly enacted law that is effective for tax years beginning after December 31, 2017 (or, in the case of original issue discount, for tax years beginning after December 31, 2018), certain taxpayers that are required to prepare certified financial statements or file financial statements with certain regulatory or governmental agencies may be required to recognize income, gain and loss with respect to the Taxable Bonds at the time that such income, gain or loss is recognized on such financial statements instead of under the rules described below.

Prospective investors should consult their own tax advisors in determining the U.S. federal, state, local or non-U.S. tax consequences to them from the purchase, ownership and disposition of the Taxable Bonds in light of their particular circumstances.

U.S. Holders

Interest. Interest on the Taxable Bonds generally will be taxable to a U.S. Holder as ordinary interest income at the time such amounts are accrued or received, in accordance with the U.S. Holder's method of accounting for U.S. federal income tax purposes.

Taxable Bonds purchased for an amount in excess of the principal amount payable at maturity (or, in some cases, at their earlier call date) will be treated as issued at a premium. A U.S. Holder of a Taxable Bond issued at a premium may make an election, applicable to all debt securities purchased at a premium by such U.S. Holder, to amortize such premium, using a constant yield method over the term of such Taxable Bond.

Sale or Other Taxable Disposition of the Taxable Bonds. Unless a nonrecognition provision of the Code applies, the sale, exchange, redemption, retirement (including pursuant to an offer by the District) or other disposition of a Taxable Bond will be a taxable event for U.S. federal income tax purposes. In such event, in general, a U.S. Holder of a Taxable Bond will recognize gain or loss equal to the difference between (i) the amount of cash plus the fair market value of property received (except to the extent attributable to accrued but unpaid interest on the Taxable Bond, which will be taxed in the manner described above) and (ii) the U.S. Holder's adjusted U.S. federal income tax basis in the Taxable Bond (generally, the purchase price paid by the U.S. Holder for the Taxable Bond, decreased by any amortized premium). Any such gain or loss generally will be capital gain or loss. In the case of a non-corporate U.S. Holder of the Taxable Bonds, the maximum marginal U.S. federal income tax rate applicable to any such gain will be lower than the maximum marginal U.S. federal income tax rate applicable to ordinary income if such U.S. holder's holding period for the Taxable Bonds exceeds one year. The deductibility of capital losses is subject to limitations.

Defeasance of the Taxable Bonds. If the District defeases any Taxable Bond, the Taxable Bond may be deemed to be retired and "reissued" for U.S. federal income tax purposes as a result of the defeasance. In that event, in general, a holder will recognize taxable gain or loss equal to the difference between (i) the amount realized from the deemed sale, exchange or retirement (less any accrued qualified stated interest which will be taxable as such) and (ii) the holder's adjusted tax basis in the Taxable Bond.

Information Reporting and Backup Withholding. Payments on the Taxable Bonds generally will be subject to U.S. information reporting and possibly to "backup withholding." Under Section 3406 of the Code and applicable U.S. Treasury Regulations issued thereunder, a non-corporate U.S. Holder of the Taxable Bonds may be subject to backup withholding at the current rate of 24% with respect to "reportable payments," which include interest paid on the Taxable Bonds and the gross proceeds of a sale, exchange, redemption, retirement or other disposition of the Taxable Bonds. The payor will be required to deduct and withhold the prescribed amounts if (i) the payee fails to furnish a U.S. taxpayer identification number ("TIN") to the payor in the manner required, (ii) the IRS notifies the payor that the TIN furnished by the payee is incorrect, (iii) there has been a "notified payee underreporting" described in Section 3406(c) of the Code or (iv) the payee fails to certify under penalty of perjury that the payee is not subject to withholding under Section 3406(a)(1)(C) of the Code. Amounts withheld under the backup withholding rules may be refunded or credited against the U.S. Holder's federal income tax liability, if any, provided that the required information is timely furnished to the IRS. Certain U.S. holders (including among others, corporations and certain tax-exempt organizations) are not subject to backup withholding. A holder's failure to comply with the backup withholding rules may result in the imposition of penalties by the IRS.

Non-U.S. Holders

Interest. Subject to the discussions below under the headings "Information Reporting and Backup Withholding" and "Foreign Account Tax Compliance Act," payments of principal of, and interest on, any Taxable Bond to a Non-U.S. Holder, other than (1) a controlled foreign corporation, a such term is defined in the Code, which is related to the District through stock ownership and (2) a bank which acquires such Taxable Bond in consideration of an extension of credit made pursuant to a loan agreement entered into in the ordinary course of business, will not be subject to any U.S. federal withholding tax provided that the beneficial owner of the Taxable Bond provides a certification completed in compliance with applicable statutory and regulatory requirements, which requirements are discussed below under the heading "Information Reporting and Backup Withholding," or an exemption is otherwise established.

Disposition of the Taxable Bonds. Subject to the discussions below under the headings "Information Reporting and Backup Withholding" and "FATCA," any gain realized by a Non-U.S. Holder upon the sale, exchange, redemption, retirement (including pursuant to an offer by the District or a deemed retirement due to defeasance of the Taxable Bond) or other disposition of a Taxable Bond generally will not be subject to U.S. federal income tax, unless (i) such gain is effectively connected with the conduct by such Non-U.S. Holder of a trade or business within the United States; or (ii) in the case of any gain realized by an individual Non-U.S. Holder, such holder is present in the United States for 183 days or more in the taxable year of such sale, exchange, redemption, retirement (including pursuant to an offer by the District) or other disposition and certain other conditions are met.

U.S. Federal Estate Tax. A Taxable Bond that is held by an individual who at the time of death is not a citizen or resident of the United States will not be subject to U.S. federal estate tax as a result of such individual's death, provided that, at the time of such individual's death, payments of interest with respect to such Taxable Bond would not have been effectively connected with the conduct by such individual of a trade or business within the United States.

Information Reporting and Backup Withholding. Subject to the discussion below under the heading "FATCA," under current U.S. Treasury Regulations, payments of principal and interest on any Taxable Bonds to a holder that is not a United States person will not be subject to any backup withholding tax requirements if the beneficial owner of the Taxable Bond or a financial institution holding the Taxable Bond on behalf of the beneficial owner in the ordinary course of its trade or business provides an appropriate certification to the payor and the payor does not have actual knowledge that the certification is false. If a beneficial owner provides the certification, the certification must give the name and address of such owner, state that such owner is not a United States person, or, in the case of an individual, that such owner is neither a citizen nor a resident of the United States, and the owner must sign the certificate under penalties of perjury. The current backup withholding tax rate is 24%.

Foreign Account Tax Compliance Act ("FATCA")—U.S. Holders and Non-U.S. Holders

Sections 1471 through 1474 of the Code impose a 30% withholding tax on certain types of payments made to foreign financial institutions, unless the foreign financial institution enters into an agreement with the U.S. Treasury to, among other things, undertake to identify accounts held by certain U.S. persons or U.S.-owned entities, annually report certain information about such accounts, and withhold 30% on payments to account holders whose actions prevent it from complying with these and other reporting requirements, or unless the foreign financial institution is otherwise exempt from those requirements. In addition, FATCA imposes a 30% withholding tax on the same types of payments to a non-financial foreign entity unless the entity certifies that it does not have any substantial U.S. owners or the entity furnishes identifying information regarding each substantial U.S. owner. Failure to comply with the additional certification, information reporting and other specified requirements imposed under

FATCA could result in the 30% withholding tax being imposed on payments of interest and principal under the Taxable Bonds and sales proceeds of Taxable Bonds held by or through a foreign entity. In general, withholding under FATCA currently applies to payments of U.S. source interest (including OID) and, under current guidance, will apply to (i) gross proceeds from the sale, exchange or retirement of debt obligations paid after December 31, 2018 and (ii) certain "passthru" payments no earlier than January 1, 2019. Prospective investors should consult their own tax advisors regarding FATCA and its effect on them.

The foregoing summary is included herein for general information only and does not discuss all aspects of U.S. federal taxation that may be relevant to a particular holder of Taxable Bonds in light of the holder's particular circumstances and income tax situation. Prospective investors are urged to consult their own tax advisors as to any tax consequences to them from the purchase, ownership and disposition of Taxable Bonds, including the application and effect of state, local, non-U.S., and other tax laws.

LEGAL MATTERS

Possible Limitations on Remedies; Bankruptcy

General. State law contains certain safeguards to protect the financial solvency of school districts. See Appendix A – "DISTRICT FINANCIAL INFORMATION AND REGIONAL ECONOMIC AND DEMOGRAPHIC INFORMATION – STATE FUNDING OF SCHOOL DISTRICTS – AB 1200 Budget Requirements; County and State Oversight; Reports and Certifications." If the safeguards are not successful in preventing a school district from becoming insolvent, the State Superintendent of Public Instruction (the "State Superintendent"), operating through an administrator appointed by the State Superintendent, may be authorized under State law to file a petition under Chapter 9 of the United States Bankruptcy Code (the "Bankruptcy Code") on behalf of the school district for the adjustment of its debts, assuming that the school district meets certain other requirements contained in the Bankruptcy Code necessary for filing a petition under Chapter 9 of the Bankruptcy Code. School districts are not themselves authorized to file a bankruptcy proceeding, and they are not subject to involuntary bankruptcy.

Bankruptcy courts are courts of equity and as such have broad discretionary powers. If the District were to become the debtor in a proceeding under Chapter 9 of the Bankruptcy Code, the parties to the proceedings may be prohibited from taking any action to collect any amount from the District (including *ad valorem* tax revenues) or to enforce any obligation of the District, without the bankruptcy court's permission. In such a proceeding, as part of its plan of adjustment in bankruptcy, the District may be able to alter the priority, interest rate, principal amount, payment terms, collateral, maturity dates, payment sources, covenants (including tax-related covenants), and other terms or provisions of the 2018 Bonds and other transaction documents related to the 2018 Bonds, as long as the bankruptcy court determines that the alterations are fair and equitable. In addition, in such a proceeding, as part of such a plan, the District may be able to eliminate the obligation of the County to raise taxes if necessary to pay the 2018 Bonds. There also may be other possible effects of a bankruptcy of the District that could result in delays or reductions in payments on the 2018 Bonds. Moreover, regardless of any specific adverse determinations in any District bankruptcy proceeding, the existence of a District bankruptcy proceeding could have an adverse effect on the liquidity and market price of the 2018 Bonds.

As stated above, if a school district were to go into bankruptcy, the bankruptcy petition would be filed under Chapter 9 of the Bankruptcy Code. Chapter 9 provides that it does not limit or impair the power of a state to control, by legislation or otherwise, a municipality of or in such state in the exercise of the political or governmental powers of such municipality, including expenditures for such exercise. For purposes of Chapter 9, a school district is a municipality. State law provides that the ad valorem taxes levied to pay the principal and interest on the 2018 Bonds shall be used for the payment of principal and interest of the District's general obligation bonds and for no other purpose. If this restriction on the expenditure of such ad valorem taxes is respected in a bankruptcy case, then the *ad valorem* tax revenue could not be used by the District for any purpose other than to make payments on the 2018 Bonds. It is possible, however, that a bankruptcy court could conclude that the restriction should not be respected.

Statutory Lien. Pursuant to California Education Code Section 15251, general obligation bonds issued and sold by school districts (including the 2018 Bonds) pursuant to Chapter 1 and 1.5 of Part 10 of Division 1 of Title 1 of the California Education Code will be secured by a statutory lien on all revenues received pursuant to the levy and collection of the tax. Section 15251 of the California Education Code provides that the lien will automatically arise, without the need for any action or authorization by the local agency or its governing board, and will be valid and binding from the time the bonds are executed and delivered. See "SECURITY AND SOURCE OF PAYMENT FOR THE 2018 BONDS – Statutory Lien on Taxes (Senate Bill 222)." Although a statutory lien would not be automatically terminated by the filing of a Chapter 9 bankruptcy petition by the District, the automatic stay provisions of the Bankruptcy Code would apply and payments that become due and owing on the 2018 Bonds during the pendency of the Chapter 9 proceeding could be delayed (unless the 2018 Bonds are determined to be secured by a pledge of "special revenues" within the meaning of the Bankruptcy Code and the pledged ad valorem taxes are applied to pay the 2018 Bonds in a manner consistent with the Bankruptcy Code).

Special Revenues. If the *ad valorem* property tax revenues that are pledged to the payment of the 2018 Bonds (see "SECURITY AND SOURCE OF PAYMENT FOR THE 2018 BONDS – Pledge of Tax Revenues") are determined to be "special revenues" within the meaning of the Bankruptcy Code, then the application in a manner consistent with the Bankruptcy Code of the pledged *ad valorem* property tax revenues that are collected after the date of the bankruptcy filing should not be subject to the automatic stay. "Special revenues" are defined to include, among others, taxes specifically levied to finance one or more projects or systems of the debtor, but excluding receipts from general property, sales, or income taxes levied to finance the general purposes of the debtor. The District has specifically pledged the *ad valorem* property taxes for payment of the 2018 Bonds. Additionally, the *ad valorem* property taxes levied for payment of the 2018 Bonds are permitted under the State Constitution only where either (i) the applicable bond proposition is approved by 55% of the voters and such proposition contains a specific list of school facilities projects under Proposition 39, or (ii) if the applicable bond proposition is approved by two-thirds of voters under Proposition 46, such bonds must be issued for the acquisition or improvement of real property. State law prohibits the use of the tax proceeds for any purpose other than payment of the general obligation bonds and the original bond proceeds can only be used to fund the acquisition or improvement of real property and other capital expenditures included in the proposition so such tax revenues appear to fit the definition of special revenues. However, there is no binding judicial precedent dealing with the treatment in bankruptcy proceedings of *ad valorem* property tax revenues collected for the payments of bonds in California, so no assurance can be given that a bankruptcy court would not hold otherwise.

In addition, even if the *ad valorem* property tax revenues are determined to be "special revenues," the Bankruptcy Code provides that special revenues can be applied to necessary operating expenses of the project or system, before they are applied to other obligations. This rule applies regardless of the provisions of the transaction documents. Thus, a bankruptcy court could determine that the District is entitled to use the *ad valorem* property tax revenues to pay necessary operating expenses of the District and its schools, before the remaining revenues are paid to the owners of the 2018 Bonds.

Possession of Tax Revenues; Remedies. If the County or the District goes into bankruptcy and has possession of tax revenues (whether collected before or after commencement of the bankruptcy), and if the County or the District, as applicable, does not voluntarily pay such tax revenues to the owners of the 2018 Bonds, it is not entirely clear what procedures the owners of the 2018 Bonds would have to follow to attempt to obtain possession of such tax revenues, how much time it would take for such procedures to be completed, or whether such procedures would ultimately be successful.

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

Amounts Held in County Treasury Pool

The County on behalf of the District is expected to be in possession of the annual *ad valorem* property taxes and certain funds to repay the 2018 Bonds and may invest these funds in the County's Treasury Pool, as described in Appendix F – "LOS ANGELES COUNTY TREASURY POOL." Should those investments suffer any losses, there may be delays or reductions in payments on the 2018 Bonds.

Legality for Investment in the State

Under provisions of the State Financial Code, the 2018 Bonds are legal investments for commercial banks in the State to the extent that the 2018 Bonds, in the informed opinion of said bank, are prudent for the investment of funds of depositors, and, under provisions of the California Government Code, are eligible for security for deposits of public moneys in the State.

Continuing Disclosure

The District has covenanted for the benefit of the holders and beneficial owners of the 2018 Bonds to provide certain financial information and operating data relating to the District (the "Annual Report") for each fiscal year by not later than 240 days following the end of the District's fiscal year (currently ending June 30), commencing with the Annual Report for Fiscal Year 2017-18, and to provide notices of the occurrence of certain specified events (collectively, the "Listed Events"). The information to be contained in the Annual Report and in a notice of a Listed Event is set forth in Appendix E – "FORM OF CONTINUING DISCLOSURE CERTIFICATE." The District will provide or cause to be provided the Annual Report and such notices to the Municipal Securities Rulemaking Board through its Electronic Municipal Market Access system in the manner prescribed by the Securities and Exchange Commission ("SEC"). Copies of the District's annual reports and notices of Listed Event filings are available at the website of Digital Assurance Certification, L.L.C. ("DAC"), www.dacbond.com, and at the website of the Municipal Securities Rulemaking Board's Electronic Municipal Market Access system, emma.msrb.org. The information presented on these websites is not incorporated by reference in this Official Statement and should not be relied upon in making an investment decision with respect to the 2018 Bonds. These covenants have been made in order to assist the Underwriters (defined herein) in complying with SEC Rule 15c2-12(b)(5) (the "Rule").

Certain Legal Matters

The validity of the 2018 Bonds and certain other legal matters are subject to the approving opinion of Orrick, Herrington & Sutcliffe LLP, Los Angeles, California, Bond Counsel to the District, and certain other conditions. A complete copy of the proposed form of opinion of Bond Counsel with respect to the 2018 Bonds is contained in Appendix D, attached hereto. Bond Counsel undertakes no responsibility for the accuracy, completeness or fairness of this Official Statement. Certain legal matters will also be passed upon for the District by its General Counsel and by the District's Disclosure Counsel, Hawkins Delafield & Wood LLP, Los Angeles, California ("Disclosure Counsel"), and for the Underwriters by their counsel Nixon Peabody LLP, Los Angeles, California.

FINANCIAL STATEMENTS

The District's Audited Annual Financial Report for Fiscal Year Ended June 30, 2017, including its general purpose financial statements for the Fiscal Year ended June 30, 2016, is attached hereto as Appendix B. The basic financial statements of the District for the Fiscal Year 2016-17 have been audited by Simpson & Simpson, independent certified public accountants, as stated in their report appearing in Appendix B. The District has not requested nor has the District obtained the consent of Simpson & Simpson to the inclusion of its report in Appendix B. Simpson & Simpson has not been engaged to perform and has not performed, since the date of its report included herein, any procedures on the financial statements addressed in that report. Simpson & Simpson has not been requested to perform and has not performed any procedures relating to the Official Statement.

LITIGATION

There is no litigation pending against the District or, to the knowledge of its respective executive officers, threatened, seeking to restrain or enjoin the issuance, sale, execution or delivery of the 2018 Bonds or in any way contesting or affecting the validity of the 2018 Bonds or the Authorizations or any proceedings of the District taken with respect to the issuance or sale thereof, or the levy or application of *ad valorem* property taxes for the payment of principal of and interest on the 2018 Bonds or the use of the proceeds of the 2018 Bonds. There are no pending lawsuits that, in the opinion of the District's General Counsel, challenge the validity of the 2018 Bonds, the existence of the District, or the title of the executive officers to their respective offices. There are a number of lawsuits and claims pending against the District. In the opinion of the District, the aggregate amount of the uninsured liabilities of the District under these lawsuits and claims will not materially affect the finances of the District. See Appendix A – "DISTRICT FINANCIAL INFORMATION AND REGIONAL ECONOMIC AND DEMOGRAPHIC INFORMATION – DISTRICT FINANCIAL INFORMATION – Risk Management and Litigation."

MISCELLANEOUS

Ratings

Fitch Ratings, Inc. ("Fitch") has assigned its municipal bond rating of "AAA" to the Tax-Exempt Bonds and "F1+" to the Taxable Bonds. Moody's Investors Service, Inc. ("Moody's") has assigned their municipal bond rating of "Aa2" to the 2018 Bonds. The District has furnished to each rating agency certain materials and information with respect to itself and the 2018 Bonds. Generally, rating agencies base their ratings on such information and materials and on their own investigations, studies and assumptions. Each rating reflects only the view of the respective rating agency, and any explanation of the significance of such rating may be obtained only from the issuing rating agency furnishing the same, at the following addresses: Fitch, 33 Whitehall Street, New York, New York 10004, telephone: (212) 908-0800, and Moody's Investors Service, Inc., 7 World Trade Center at 250 Greenwich Street, New York, New York 10007, telephone: (212) 533-0300. There is no assurance that any such rating will continue for any given period of time or that it will not be revised downward or withdrawn entirely by such rating agency, if, in its judgment, circumstances so warrant. Any such downward revision or withdrawal of any such rating may have an adverse effect on the market price of the 2018 Bonds.

Municipal Advisors

Public Resources Advisory Group and Government Financial Strategies inc. are serving as Municipal Advisors (the "Municipal Advisors") in connection with the issuance of the 2018 Bonds and certain other financial matters. The Municipal Advisors have not been engaged, nor have they undertaken, to audit, authenticate or otherwise verify the information set forth in this Official Statement, or any other related information available to the District, with respect to accuracy and completeness of disclosure of such information. The Municipal Advisors have reviewed this Official Statement but make no guaranty, warranty or other representation respecting accuracy and completeness of the information contained in this Official Statement.

Underwriting

The 2018 Bonds are being purchased by Merrill Lynch, Pierce, Fenner & Smith Incorporated and Goldman Sachs & Co. LLC, on behalf of a syndicate that also includes the other underwriters set forth on the cover hereof (collectively, the "Underwriters"). The Underwriters have agreed to purchase the 2018 Bonds at the purchase price of $1,546,883,950.71 (which amount is equal to the aggregate principal amount of the 2018 Bonds, plus an net original issue premium of $198,406,619.70 and less an Underwriters' discount of $1,522,668.99) pursuant to a bond purchase agreement relating to the 2018 Bonds.

Pursuant to the bond purchase agreement, the Underwriters will purchase all of the 2018 Bonds if any are purchased. The Underwriters may offer and sell the 2018 Bonds to certain dealers and others at prices or yields different from the initial public offering prices or yields stated on the inside cover pages of this Official Statement. The initial public offering prices or yields may be changed from time to time by the Underwriters.

The Underwriters have provided the following paragraphs for inclusion in the section "MISCELLANEOUS – Underwriting." No representation is made by the District as to the accuracy, completeness or adequacy of such information.

Certain of the Underwriters and their respective affiliates are full service financial institutions engaged in various activities, which may include sales and trading, commercial and investment banking, advisory, investment management, investment research, principal investment, hedging, market making, brokerage and other financial and non-financial activities and services. Under certain circumstances, the Underwriters and their affiliates may have certain creditor and/or other rights against the District and its affiliates in connection with such activities. In the various course of their various business activities, the Underwriters and their respective affiliates, officers, directors and employees may purchase, sell or hold a broad array of investments and actively trade securities, derivatives, loans, commodities, currencies, credit default swaps and other financial instruments for their own account and for the accounts of their customers, and such investment and trading activities may involve or relate to assets, securities and/or instruments of the District (directly, as collateral securing other obligations or otherwise) and/or persons and entities with relationships with the District. The Underwriters and their respective affiliates may also communicate independent investment recommendations, market color or trading ideas and/or publish or express independent research views in respect of such assets, securities or instruments and may at any time hold, or recommend to clients that they should acquire, long and/or short positions in such assets, securities and instruments.

Additional Information

The purpose of this Official Statement is to provide information to prospective buyers of the 2018 Bonds. Quotations from and summaries of the 2018 Bonds, the Resolutions, and the constitutional provisions, statutes and other documents described herein do not purport to be complete, and reference is made to said documents, constitutional provisions and statutes for full and complete statements of their provisions. Any statements in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended as such and not as representations of fact. This Official Statement is not a contract or agreement between the District and the purchasers or owners of any of the 2018 Bonds.

Execution and Delivery

The District has duly authorized the execution and delivery of this Official Statement.

LOS ANGELES UNIFIED SCHOOL DISTRICT

By: /s/ Scott Price
Dr. Scott Price
Chief Financial Officer

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APPENDIX A

DISTRICT FINANCIAL INFORMATION AND
REGIONAL ECONOMIC AND DEMOGRAPHIC INFORMATION

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

DISTRICT GENERAL INFORMATION

District Boundaries

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

District Governance; Senior Management

The District is governed by a seven-member Board of Education (the "District Board") elected by voters within the District to serve alternating four-year terms. The terms of Board members were extended to five years for members elected in 2015 and thereafter. Mónica García (District 2) serves as President of the District Board, and Nick Melvoin (District 4) serves as Vice President of the District Board. In addition, George McKenna (District 1), Scott Schmerelson (District 3), Ref Rodriguez (District 5), Kelly Gonez (District 6), and Richard Vladovic (District 7) serve on the District Board. According to public documents, Board member Ref Rodriguez has been charged with violations relating to alleged campaign fundraising activities. The District does not have additional information other than what is publicly available. None of the allegations relate to the District's General Obligation Bond Program, the 2018 Bonds or the security and source of payment for the 2018 Bonds.

The chief executive officer of the District, appointed by the District Board to manage the day-to-day operations of the District, is the Superintendent of Schools (the "Superintendent"). Dr. Michelle King currently serves as the Superintendent. Dr. King is on medical leave and is scheduled to retire on June 30, 2018. Vivian Ekchian served as Acting Superintendent starting October 2017 and was appointed Interim Superintendent in January 2018. In addition to the Superintendent of the District, the District has organized its schools into six geographically-based regions (collectively, the "Local Districts"). Each Local District has a separate superintendent to oversee the schools in the related area of the District. The current Local District Superintendents are Roberto Antonio Martinez (Central), José P. Huerta (East), Linda Del Cueto (Northeast), Joseph Nacorda (Northwest), Christopher Downing (South) and Cheryl P. Hildreth (West). Brief biographical information for Superintendent King and other senior management of the District is set forth below.

Michelle King, Superintendent. Michelle King became the Superintendent in January 2016. Previously, Dr. King was the Chief Deputy Superintendent for the District, to serve as the successor to former Superintendent Ramon Cortines. In her capacity as Chief Deputy Superintendent, Dr. King supervised and oversaw the Office of the Chief Operating Officer, Human Resources, Student Health and Human Services, Los Angeles School Police Department, Office of the Chief Financial Officer, Personnel Commission, Office of School Operations and Division of Adult Education. Dr. King served as Senior Deputy Superintendent from April 2011 through October 2014, Deputy Superintendent from January 2011 through April 2011, Chief of Staff from July 2010 through December 2010, Superintendent for Local District 3 from February 2008 through June 2010, Chief Instructional Officer from October 2007 through January 2008 and Deputy Chief Instructional Officer from July 2006 to September 2007. Dr. King began her 33-year career in education with the District as a science and math teacher at Porter Middle School in Granada Hills. She became the coordinator for the math, science and aerospace magnet program at Wright Middle School in Westchester, and subsequently served as Assistant Principal and Principal at Hamilton High School in Cheviot Hills. Dr. King graduated from the University of California, Los Angeles with a Bachelor of Science degree in Biology and from Pepperdine University with a Master of Science degree in Administration. In addition, she holds a California Life Science Secondary Teaching Credential and a California Professional Administrative Services Credential from National University. Dr. King holds a Doctorate in Education from the University of Southern California.

Vivian Ekchian, Interim Superintendent. Vivian Ekchian was appointed Acting Superintendent in October 2017 and subsequently named Interim Superintendent in January 2018. She has served the District for over 30 years. She has held multiple positions with the District including elementary school teacher, elementary school principal, Director of Instruction, Chief of Staff to the Superintendent of Schools, Chief Human Resources Officer, Chief Labor Negotiator, Local District Superintendent, and, most recently, Associate Superintendent for the newly formed Office of Support Services. As Local District Superintendent for the northwest region of the District, she oversaw 129 schools and, during her tenure, academic achievement and proficiency in both English language arts and math increased across all student subgroups, five new theme-based schools were opened, and several local district programs and events were implemented for academic, civic, and career focused student activities. Ms. Ekchian holds a Master of Arts degree in Educational Administration from the University of California, Los Angeles, and is currently pursuing a Doctorate in Education from the University of Southern California.

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

Scott S. Price, Chief Financial Officer. Dr. Scott Price has over 20 years of experience in education as a Chief Financial Officer, Chief Business Officer, Business Administrator, Director of

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

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

Timothy S. Rosnick, Deputy Controller. Mr. Rosnick joined the District in October 2006 and served as the District's Director of Accounting Controls from October 2006 through June 2007 and the Director of Treasury and Accounting Controls from July 2007 through June 2008. Mr. Rosnick served as the District's Controller beginning in June 2008 and became Deputy Controller in June 2011. Prior to joining the District, Mr. Rosnick served as an Administrator at the Orange County Department of Education and as a Financial Officer with LACOE. Mr. Rosnick graduated from the University of Washington with a Bachelor of Arts degree with Distinction in Economics and received a Master of Business Administration degree from the University of Texas at Austin. Mr. Rosnick is a member of the Government Finance Officers Association and the CFA Institute.

School Facilities

The District is the second largest public school district in the United States and is the largest public school district in the State. The estimated K-12 enrollment in the District for Fiscal Year 2017-18 consists of 613,274 students, including those attending fiscally independent charter schools ("Fiscally Independent Charter Schools"), magnet, opportunity, and continuation schools and centers, charter schools, and schools for the handicapped. As of June 30, 2017, the District operated 1,054 schools and centers, which consisted of 449 elementary schools, 82 middle/junior high schools, 95 senior high schools, 54 options schools, 168 magnet centers, 47 magnet schools, 24 multi-level schools, 14 special education schools, 2 community adult schools, 6 regional occupational centers, 3 skills centers, 1 regional occupational program, 86 early education centers, 4 infant centers, and 19 primary school centers. As of June 30, 2017, 54 of the District's schools were operated as locally funded, affiliated charter schools ("Affiliated Charter Schools"). In addition, as of June 30, 2017, the District oversaw 225 Fiscally Independent Charter Schools within the District's boundaries. See "State Funding of School Districts – Charter School Funding" herein.

Average Daily Attendance

The District's Fiscal Year 2017-18 First Interim Report (defined herein) projects that enrollment in the District, excluding the Fiscally Independent Charter Schools within the District's boundaries, will decline by 2.5% in Fiscal Year 2017-18 compared to Fiscal Year 2016-17. The District believes that enrollment declines are due to, among other things, the reduced birth rate in the County, increased costs of living and housing costs in southern California and increased numbers of school-age students in the District's boundaries attending Fiscally Independent Charter Schools rather than District schools. As a result of this declining enrollment in District schools, the District's annual average daily attendance ("ADA") declined in Fiscal Year 2016-17 and is expected to decline further in Fiscal Year 2017-18. The following Table A-1 sets forth the District's annual ADA for Fiscal Year 2008-09 through 2017-18.

TABLE A-1

LOS ANGELES UNIFIED SCHOOL DISTRICT
Annual Average Daily Attendance
Fiscal Years 2008-09 through 2017-18

Fiscal Year	K-12[(1)]	Affiliated Charter Schools[(2)]	Adult Education[(3)]	Total
2008-09	588,372	6,655	98,606	693,633
2009-10	570,057	6,906	--	576,963
2010-11	557,584	7,866	--	565,450
2011-12	534,093	13,499	--	547,592
2012-13	505,513	28,832	--	534,345
2013-14	487,929	39,633	--	527,562
2014-15	475,801	39,944	--	515,745
2015-16	463,581	39,632	--	503,213
2016-17	448,240	41,143	--	489,383
2017-18	436,344	40,272	--	476,616

(1) Includes non-public school special education students.
(2) Includes charter schools that are fiscally-affiliated with the District which were funded with block grants until Fiscal Year 2012-13. Beginning Fiscal Year 2013-14, such charter schools are funded by the LCFF (defined herein).
(3) ADA data with respect to Adult Education was not collected beginning in Fiscal Year 2009-10 due to changes in the Education Code which removed the requirement for school districts to operate Adult Education programs or follow program requirements.

Sources: Los Angeles Unified School District Comprehensive Annual Financial Report for Fiscal Years 2008-09 through 2015-16, the Audited Annual Financial Report for Fiscal Year 2016-17, and the District for Fiscal Year 2017-18.

STATE FUNDING OF SCHOOL DISTRICTS

General

School districts in the State receive operating revenues from federal, State and local sources, including appropriations from the State's general fund and local property taxes derived from a school district's share of the 1% *ad valorem* property tax. Accordingly, changes in State revenues can significantly affect appropriations made by the State Legislature to school districts. School districts also currently receive revenues from the State attributable to temporary tax increases implemented by Proposition 30 (defined herein). In connection with voter approval of Proposition 55 (defined herein), certain of such temporary tax increases will be extended by twelve years. See "California Constitutional and Statutory Provisions relating to *Ad Valorem* Property Taxes, District Revenues and Appropriations – Proposition 30" herein. In addition, the State appropriates funds that are restricted to specific categories of use under various programs such as student transportation, class-size reduction and special education. The amount of categorical funding appropriated to a school district may vary significantly from other school districts and yearly.

Article XVI of the State Constitution requires that from all State revenues, there first be set apart the moneys to be applied by the State for support of the public school system and public institutions of higher education. See "California Constitutional and Statutory Provisions relating to *Ad Valorem* Property Taxes, District Revenues and Appropriations – Constitutionally Required Funding of Education" herein. The State Legislature and the Governor approve the State's authorized appropriations for school districts each fiscal year in connection with the adoption of the State Budget Act (defined herein). Proposition 98 (defined herein) provides the minimum funding formula for school districts. See "– Proposition 98" and "California Constitutional and Statutory Provisions relating to *Ad Valorem* Property Taxes, District Revenues and Appropriations – Proposition 98" herein. However, the actual appropriations and the timing of such appropriations are subject to, among other things, the estimated amount of State General Fund revenues during the fiscal year and subsequent changes in State law.

Since Fiscal Year 2013-14, the amount of funds a school district receives from State revenues depends on the amount of revenues the State calculates that the school district should receive based on the Local Control Funding Formula (the "LCFF"), less the amount the school district derives from such school district's share of the 1% *ad valorem* property tax. See "State Funding of School Districts – Local Control Funding Formula" and "California Constitutional and Statutory Provisions relating to *Ad Valorem* Property Taxes, District Revenues and Appropriations – Constitutionally Required Funding of Education" herein.

Local Control Funding Formula

General. Funding for school districts, charter schools and county offices of education in connection with the LCFF includes State apportionments for general operating costs ("State Aid") and funding for categorical programs. During Fiscal Year 2016-17, approximately 75.9% of the District's General Fund revenues and other financing sources were pursuant to the LCFF. During Fiscal Year 2017-18, the District projects that approximately 76.2% of the District's General Fund revenues and other financing sources will consist of funds determined under the LCFF. The following Table A-2 sets forth the percentage of the District's General Fund revenues that are derived from revenues under the LCFF, federal revenues, other State revenues and other local revenues for Fiscal Years 2013-14 through 2017-18.

TABLE A-2

LOS ANGELES UNIFIED SCHOOL DISTRICT
General Fund Revenue Sources
Percentage of Total District General Fund Revenues[1]
Fiscal Years 2013-14 through 2017-18

Revenue Source	Fiscal Year 2013-14	Fiscal Year 2014-15	Fiscal Year 2015-16	Fiscal Year 2016-17	Fiscal Year 2017-18[2]
LCFF	74.3%	73.9%	73.9%	75.9%	76.2%
Federal Revenues	9.5	10.1	8.2	8.6	8.2
Other State Revenues	14.0	14.1	16.0	13.1	12.5
Other Local Revenues	2.1	2.0	2.0	2.4	3.1

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

Sources: Los Angeles Unified School District Comprehensive Annual Financial Reports for Fiscal Years 2013-14 through 2015-16, Audited Annual Financial Report for Fiscal Year 2016-17 and Fiscal Year 2017-18 First Interim Report.

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

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

The Base Grants are based on four uniform, grade-span base rates. For Fiscal Year 2017-18, the LCFF provided to school districts and charter schools: (a) a Target Base Grant for each LEA equivalent to $7,941 per ADA for kindergarten through grade 3; (b) a Target Base Grant for each LEA equivalent to $7,301 per ADA for grades 4 through 6; (c) a Target Base Grant for each LEA equivalent to $7,518 per ADA for grades 7 and 8; (d) a Target Base Grant for each LEA equivalent to $8,939 per ADA for grades 9 through 12. However, the amount of actual funding allocated to the Base Grant, Supplemental Grants and Concentration Grants will be subject to the discretion of the State.

The projections of the California Department of Finance (the "Department of Finance") indicate that the LCFF will be fully funded by the Fiscal Year ending June 30, 2019. See "– Local Control Funding Formula Gap Funding" herein. During the period in which LCFF is phased in, certain LEAs will be eligible for an additional funding amount (the "Economic Recovery Target"). The Economic Recovery Target entitlement is based on the difference between the amount a school district or charter school would have received under the old funding system and the estimated amount it would receive for LCFF funding in Fiscal Year 2020-21, based on certain criteria. Only school districts and charter schools that were at, or below, the 90th percentile of per-pupil funding rates of school districts under the pre-Fiscal Year 2013-14 funding system, as determined at the certification of the State's second principal apportionment in Fiscal Year 2013-14, are eligible for Economic Recovery Target payments. Based on this criteria, the District is not entitled to receive Economic Recovery Target funding. However, certain of the District's affiliated charter schools are entitled to the Economic Recovery Target funding and received $495,156, collectively, in Fiscal Year 2016-17, and are expected to receive an estimated $618,944, collectively, in Fiscal Year 2017-18.

The District has the largest ADA in the State. See "District General Information – Average Daily Attendance" herein. In addition, the District's ADA includes a significant number of students classified as Unduplicated Pupils. Accordingly, the District expects to receive more LCFF funding than other school districts in the State. The Fiscal Year 2017-18 First Interim Report projects that approximately 84.95% of students attending non-charter schools of the District will be classified as Unduplicated Pupils under the LCFF during Fiscal Year 2017-18. The percentage of students classified as Unduplicated Pupils is based on a three-year rolling average. The District's calculation of ADA with respect to Unduplicated Pupils, which is used to determine Supplemental and Concentration Grant revenues, is subject to adjustment upon review thereof by the District's independent auditor.

The following Table A-3 sets forth the total target entitlement and transition entitlement from the LCFF in Fiscal Year 2016-17 and the estimated transition entitlement from the LCFF for Fiscal Year 2017-18 subsequent to the application of LCFF Gap Funding (defined herein) for the District and the Affiliated Charter Schools. See "– Local Control Funding Formula Gap Funding" herein. The target entitlement under the LCFF reflects the amount available once the LCFF is fully funded, which is expected in Fiscal Year 2018-19. Actual funding under the LCFF each fiscal year equals the amount derived from the "hold harmless" provision, which specifies that no district is to receive less State Aid than it received in Fiscal Year 2012-13, plus the LCFF Gap Funding amount.

TABLE A-3

LOS ANGELES UNIFIED SCHOOL DISTRICT
Estimated Local Control Funding Formula
Fiscal Years 2016-17 and 2017-18

	Fiscal Year 2016-17		Fiscal Year 2017-18	
	District	Affiliated Charter Schools	District	Affiliated Charter Schools
Target Entitlement[1]	$5,294,156,265	$357,997,836	$5,271,983,997	$357,014,908
Transition Entitlement	$5,101,980,388	$345,499,418	$5,124,074,415	$346,353,904
Target Funding less Estimated Transition Entitlement	$192,175,877	$12,498,418	$147,909,582	$10,661,004
LCFF Gap Funding	56.08%		43.19%	

(1) The target entitlement represents the amount that an LEA will receive at full implementation of the LCFF. Accordingly, during the LCFF transition period, the target entitlement will not represent actual funding for most school districts.

Sources: The District.

The following Table A-4 sets forth the District's Base Grant per ADA for Fiscal Years 2013-14 through 2018-19 under the LCFF.

TABLE A-4

LOS ANGELES UNIFIED SCHOOL DISTRICT
Adjusted Grant Per Average Daily Attendance
Fiscal Years 2013-14 through 2018-19

Fiscal Year	Grades K-3	Grades 4-6	Grades 7-8	Grades 9-12
2013-14	$7,676	$7,056	$7,266	$8,638
2014-15	7,740	7,116	7,328	8,712
2015-16	7,820	7,189	7,403	8,801
2016-17	7,820	7,189	7,403	8,801
2017-18	7,941	7,301	7,518	8,939
2018-19[1]	8,112	7,458	7,680	9,131

(1) Projected, as set forth in the Fiscal Year 2017-18 First Interim Report.

Sources: Los Angeles Unified School District Comprehensive Annual Financial Report for Fiscal Years 2013-14 through 2015-16; the District for Fiscal Year 2016-17; Fiscal Year 2017-18 First Interim Report.

Local Control Funding Formula Gap Funding. Until the LCFF is fully implemented, each school district will have a gap between the school district's prior year funding and the target amount of funding under the LCFF for the current year. In order to address this shortfall, the LCFF provides school districts with additional funding based on the percentage of the gap ("LCFF Gap Funding"). The State will provide school districts with the same percentage of LCFF Gap Funding, but the dollar amount of the

LCFF Gap Funding will vary between school districts. For Fiscal Year 2014-15 and each fiscal year thereafter, an LEA's funding amount will be based on a calculation of its target entitlement under the LCFF and technical calculations related to adjustments to its prior year's funding. The Department of Finance expects the LCFF to be fully funded in Fiscal Year 2018-19.

The 2017-18 State Budget allocates approximately $1.4 billion of additional funding for the Local Control Fund Formula in Fiscal Year 2017-18 which is expected to bring the implementation of the Local Control Funding Formula to 97%. See "State Budget – State Budget Act – 2017-18 State Budget" herein.

The following Table A-5 sets forth the LCFF Gap Funding percentages estimated by the Department of Finance for Fiscal Years 2014-15 through 2020-21 and the statutory cost of living adjustment ("COLA") for Fiscal Years 2014-15 through 2020-21. The 2018-19 Proposed State Budget (as herein defined) includes approximately $3 billion in funding to fully implement the LCFF in Fiscal Year 2018-19, two years earlier than previously expected. See "State Budget – State Budget Act – 2017-18 State Budget and – 2018-19 Proposed State Budget" herein.

TABLE A-5

LOS ANGELES UNIFIED SCHOOL DISTRICT
Estimated LCFF Gap Funding and Cost of Living Adjustment
Fiscal Years 2014-15 through 2020-21

	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21
LCFF Gap Funding	30.16%	52.56%	56.08%	43.19%	66.12%(1)	64.92%(1)	100.00%(1)
Funded COLA	0.85%	1.02%	0.00%	1.56%	2.15%	2.35%	2.57%

(1) The 2018-19 Proposed State Budget provides for 100% LCFF Gap Funding in Fiscal Year 2018-19, which, if included in the final 2018-19 State Budget, would result in 100% LCFF Gap Funding in Fiscal Year 2018-19 and 0% LCFF Gap Funding in each of Fiscal Years 2019-20 and 2020-21.

Sources: For LCFF Gap Funding, Los Angeles Unified School District Comprehensive Annual Financial Reports for Fiscal Years 2014-15 through 2015-16; the District for Fiscal Year 2016-17, Fiscal Year 2017-18 First Interim Report for Fiscal Years 2017-18 through 2019-2020, and the Department of Finance for Fiscal Year 2020-21. For Funded COLA, the District for Fiscal Years 2014-15 through 2016-17, Fiscal Year 2017-18 First Interim Report for Fiscal Years 2017-18 through 2019-20, and the Department of Finance for Fiscal Year 2020-21.

Local Control and Accountability Plan. Pursuant to the LCFF, since July 1, 2014, school districts, county offices of education and charter schools have been required to develop, adopt and annually update a three-year local control and accountability plan (the "LCAP"). The LCAP is required to identify goals and measure progress for student subgroups across multiple performance indicators. The Education Code requires each school district to file with the county superintendent of schools such school district's LCAP or annual update thereof not later than five days after its adoption. On or before August 15 of each year, the county superintendent of schools may seek clarification, in writing, from the governing board of such school district about the contents of the LCAP. The school district has the opportunity to respond to such request and the county of superintendent is authorized to submit recommendations for amendments to the LCAP. On or before October 8 of each year, the county superintendent of schools is required to approve each school district's LCAP pending a determination that the school district has adhered to the template adopted by the State Board of Education, the school district's budget includes expenditures sufficient to implement the specific actions and strategies included in the LCAP based on projected costs, and the school district has adhered to the Education Code with respect to funds apportioned for Unduplicated Pupils. On June 20, 2017, the District Board adopted the LCAP for the District for Fiscal Year 2017-18 and submitted the LCAP to LACOE in accordance with the Education Code.

The State's priorities for each LCAP include, among other things, compliance with the *Williams* settlement with respect to appropriateness of teacher assignments, ensuring that teachers are fully credentialed in the subject areas and for the pupils they are teaching, and ensuring that every pupil in the school district has sufficient access to the standards-aligned instructional materials as determined in accordance with the Education Code. In addition, school facilities are to be maintained in good repair. The State requires proper implementation of the academic content and performance standards adopted by the State Board of Education and will measure parental involvement (e.g., efforts to seek input from parents or guardians regarding decisions for the district and the school site), pupil achievement (e.g. performance on Statewide assessments, the academic performance index, readiness for college or career technical education, progress towards English proficiency, performance on advance placement examinations), pupil engagement (e.g., school attendance rates, chronic absenteeism rates, middle school dropout rates, high school dropout and graduation rates, pupil suspension and expulsion rates, etc.), access and enrollment in a broad course of study including the core subject areas and programs and services developed and provided to Unduplicated Pupils, and pupil outcomes in the subject areas comprising a broad course of study.

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

AB 1200 Budget Requirements; County and State Oversight; Reports and Certifications

State law grants to each county superintendent of schools certain oversight with respect to the budget development process, including the development of LCAPs, and interim financial reporting of public school districts. Pursuant to Education Code (Section 42100 *et. seq.*), each school district is required to file interim certifications with the county office of education as to its ability to meet its financial obligations for the remainder of the then-current fiscal year and, based on current forecasts, for either the subsequent fiscal year or the two subsequent fiscal years depending on whether the certification is positive, qualified or negative. A positive certification is assigned to any school district that, based on then-current projections, will meet its financial obligations for the current fiscal year and subsequent two fiscal years. A negative certification is assigned to any school district that, based on then-current projections, will be unable to meet its financial obligations for the remainder of the fiscal year or subsequent fiscal year. A qualified certification is assigned to any school district, based on then-current projections, which may not meet its financial obligations for the current fiscal year or two subsequent fiscal years. In the event that a school district is certified as qualified or negative, the county superintendent of schools is required to report to the State Superintendent of Public Instruction on the financial condition of the school district and the proposed remedial actions and to take all actions that are necessary to ensure that the school district meets its financial obligations. The governing board of a school district that files a qualified or negative certification for the second report is required to provide to the county superintendent of schools, the State Controller and the Superintendent by June 1 financial statement projections of the school district's fund and cash balances through June 30 for the period ending April 30. The county office of education reviews the interim reports and certifications made by school districts and may change certification to qualified or negative if necessary.

Any school district that has a qualified or negative certification in any Fiscal Year may not issue, in that Fiscal Year or in the next succeeding Fiscal Year, certificates of participation, tax and revenue anticipation notes, revenue bonds or any other debt instruments that do not require the approval of the voters of the school district, unless the county superintendent of schools determines that the school district's repayment of indebtedness is probable.

For school districts under fiscal distress, the county superintendent of schools is authorized to take a number of actions to ensure that the school district meets its financial obligations, including budget revisions. However, the county superintendent is not authorized to approve any diversion of revenue from *ad valorem* property taxes levied to pay debt service on district general obligation bonds. A school district that becomes insolvent may, upon the approval of a fiscal plan by the county superintendent of schools, receive an emergency appropriation from the State, the acceptance of which constitutes an agreement to submit to management of the school district by a Superintendent appointed administrator or trustee.

In the event the State elects to provide an emergency appropriation to a school district, such appropriation may be accomplished through the issuance of "State School Fund Apportionment Lease Revenue Bonds" to be issued by the California Infrastructure and Economic Development Bank, on behalf of the school district. State law provides that so long as such bonds are outstanding, the recipient school district (via its State-appointed administrator) cannot file for bankruptcy.

Since its Second Interim Report in Fiscal Year 2007-08, the District has submitted its Interim Reports with qualified certifications. In each instance, LACOE concurred with the qualified certification. In connection with its review of the District's Fiscal Year 2017-18 Final Budget in August 2017, LACOE noted the District's projected operating deficits and the District's projected use of reserves in Fiscal Years 2017-18, 2018-19 and 2019-20 in its multi-year Fiscal Stabilization Plan (herein defined). LACOE approved the District's Fiscal Year 2017-18 budget and Fiscal Year 2017-18 LCAP, but requested that the District make adjustments to its Fiscal Stabilization Plan to address the projected use of reserves and the projected reserve shortfall for Fiscal Year 2019-20 (which is expected to be below the State's minimum reserve requirement), and to incorporate those adjustments in the multi-year projections in the District's interim report for the period ending October 31, 2017 (the "Fiscal Year 2017-18 First Interim Report"). See "District Financial Information – District Budget – District Budget and Interim Financial Estimates" herein.

In the District's Fiscal Year 2017-18 First Interim Report, as a result of stronger unaudited actual results for Fiscal Year 2016-17 and a higher than originally projected General Fund ending balance for Fiscal Year 2017-18, the District's Fiscal Stabilization Plan was revised to eliminate certain cost-saving measures (such as class size increases and the redirection of school site carryovers) that were previously incorporated to address revenue shortfalls. Based on the projections set forth in the Fiscal Year 2017-18 First Interim Report, the District expects to continue to use amounts in its reserves but will have a positive General Fund ending balance in Fiscal Years 2017-18, 2018-19 and 2019-20. See "District Financial Information – District Budget – First Interim Financial Report for Fiscal Year 2017-18" herein. LACOE's review of the Fiscal Year 2017-18 First Interim Report emphasized the need for the District Board to consider long-term impacts of the District's structural deficit spending, including revenue losses associated with declining enrollment and increasing pension costs, and for the District to implement various reductions as set forth in its Fiscal Stabilization Plan. The Fiscal Year 2017-18 Second Interim Report is due March 17, 2018 for the period ending January 31, 2018.

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

Charter School Funding

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

Pursuant to the LCFF, Fiscally Independent Charter Schools and Affiliated Charter Schools will receive a Base Grant per ADA and are eligible to receive Supplemental Grants and Concentration Grants. See " – Local Control Funding Formula" herein. The District operates 54 Affiliated Charter Schools and oversees 225 Fiscally Independent Charter Schools within the District boundaries. The annual ADA for the District's Affiliated Charter Schools is estimated to be 40,272 in Fiscal Year 2017-18. The District projects the annual ADA of Fiscally Independent Charter Schools for Fiscal Year 2017-18 will be approximately 108,738. An increase in the number of Fiscally Independent Charter Schools within the boundaries of a school district or an increase in the number of students transferring to a Fiscally Independent Charter School or an Affiliated Charter School from a traditional school within a school district may cause a net reduction in the District's ADA.

Proposition 98

On November 8, 1988, voters of the State approved Proposition 98, a combined initiative constitutional amendment and statute called the "Classroom Instructional Improvement and Accountability Act." Proposition 98 changed State funding of public education below the university level and the operation of the State's appropriation limit as described in Article XIIIB of the State Constitution, primarily by guaranteeing K-14 schools a minimum share of State General Fund revenues. Under Proposition 98 (as modified by Proposition 111, which was enacted on June 5, 1990), there are currently three tests which determine the minimum level of K-14 funding. See "Constitutional and Statutory Provisions Relating to *Ad valorem* Property Taxes, District Revenues and Appropriations" and "State Funding of School Districts – Local Control Funding Formula" herein. Proposition 98 permits the State Legislature, by two-thirds vote of both houses and with the Governor's concurrence, to suspend the K-14 schools' minimum funding formula for a one-year period. The amount of suspension is required to be repaid according to a specified State Constitutional formula, thereby restoring Proposition 98 funding to the level that would have been required in the absence of such suspension. The 2018-19 Proposed State Budget includes a Proposition 98 minimum guarantee for Fiscal Year 2018-19 of $78.3 billion, which is an increase in funding of $4.6 billion from Fiscal Year 2017-18. The 2018-29 Proposed State Budget also includes $1.8 billion in discretionary one-time Proposition 98 funding to reimburse local educational agencies for costs incurred to perform various State-mandated activities. See "State Budget – State Budget Act – 2018-19 Proposed State Budget" and herein.

DISTRICT FINANCIAL INFORMATION

District Financial Policies

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

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

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

Pursuant to the Budget and Finance Policy, the District's total General Fund balance may not be less than an amount equal to 5% of total General Fund expenditures and net transfers out during a fiscal year (the "5% Minimum Reserve Threshold"). In addition, the Budget and Finance Policy requires the projected General Fund balance to satisfy the 5% Minimum Reserve Threshold in each of the two subsequent fiscal years which the District includes in its interim financial reports. See "District Financial Information – District Budget – Fiscal Year 2017-18 District Budget" herein. In the event that the District's estimates indicate that the total General Fund balance will not satisfy the 5% Minimum Reserve Threshold in any of the current fiscal year or two subsequent fiscal years, the Budget and Finance Policy directs the District to develop and implement budget proposals to restore reserve balances to the 5% Minimum Reserve Threshold. Based on the Fiscal Year 2017-18 First Interim Report and the Fiscal Stabilization Plan included therein, the District's Operating Reserves are expected to satisfy the 5% Minimum Reserve Threshold and the Reserve for Economic Uncertainties at the minimum level required by State law for Fiscal Years 2017-18 and 2018-19. However, the District expects that it will need to reduce its expenditures and/or obtain additional revenues in Fiscal Year 2019-20 to maintain the 5% Minimum Reserve Threshold. See "District Financial Information – District Budget – Fiscal Year 2017-18 District Budget" herein.

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

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

The District Board approved the creation of an irrevocable trust for its OPEB liability (the "OPEB Trust Fund") in May 2014. The Budget and Finance Policy directs the District, subject to approval by the District Board, to make annual contributions to the OPEB Trust Fund when the balance in the General Fund exceeds the 5% Minimum Reserve Threshold to the extent possible. In the event that the unrestricted portion of the General Fund is above 5% of the unrestricted revenues (after the annual OPEB contribution has been determined), the Budget and Finance Policy directs the District to make an additional contribution from the assigned OPEB reserve to the OPEB Trust Fund. See "District Financial Information – Other Postemployment Benefits" herein. As of June 30, 2017, the net position of the

OPEB Trust Fund was $244.1 million. In October 2017, the District contributed an additional $120 million to the OPEB Trust Fund.

The Health and Welfare Benefits Fund is used to pay all health and welfare payments for active employees and retirees. The District determines funding of the Health and Welfare Benefits Fund based on the applicable health benefits agreement for each of the applicable years. See "District Financial Information – Employees and Labor Relations – Negotiations Regarding Labor Contracts" herein. As of June 30, 2017, there was approximately $307.7 million in the Health and Welfare Benefits Fund.

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

The Debt Management Policy is required to be reviewed annually. The current Debt Management Policy was approved by the District Board on January 10, 2017. The District is in compliance with the Debt Management Policy. The Debt Management Policy sets forth an annual gross debt service cap of $105 million attributable to COPs and establishes a target of 2.0% and a ceiling of 2.5% for the ratio of gross COPs debt service to District General Fund expenditures. The District Board may increase the target at the time a new debt issuance is proposed, but such authority is not intended to exceed the ceiling established in the Debt Management Policy. As of February 1, 2018, the District's maximum fiscal year COPs debt service is approximately $25.0 million (which is below the annual gross debt service cap of $105.0 million set forth in the Debt Management Policy). As of June 30, 2017, the maximum fiscal year COPs debt service was approximately 0.37% of the District General Fund expenditures during Fiscal Year 2016-17.

The Debt Management Policy limits unhedged variable rate debt to the lesser of 20% of outstanding COPs or $100 million and requires reporting of the debt ratios and benchmarks. As of February 1, 2018, the District had outstanding COPs in the aggregate principal amount of approximately $196.0 million. The District currently has no variable rate COPs outstanding and no other variable interest rate exposure.

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

The District's operating funds and all of the debt service funds maintained for repayment of general obligation bonds are deposited in the County Treasury Pool in accordance with State law and managed pursuant to the County's Investment Policy, a copy of which can be found at http://ttc.lacounty.gov/. Such website is not incorporated herein by reference and none of the District, its counsel (including Disclosure Counsel), the Underwriters, or the Municipal Advisors make any representation as to the accuracy of the information provided therein. See Appendix F – "Los Angeles County Treasury Pool" attached hereto. However, with the concurrence of the County's Treasurer and Tax Collector, the District may direct the investment of funds in certain of its operating funds and debt service funds so long as such direction complies with both the County's investment policy and the District's Investment Policy. In addition, the District can direct the investment of indentured funds held by third party trustees with regard to certain issuances of COPs pursuant to a prescribed list of permitted investments.

District Budget

General School District Budget Process and Oversight. State law requires that each school district maintain a balanced budget in each fiscal year, and that each district project beginning balances, revenues, expenditures, and ending balances for two subsequent years. Under current law, the District Board must file with the county superintendent of schools a budget for each fiscal year by June 30 of the immediately prior fiscal year (referred to herein as the "Final Adopted Budget"). After approval of the Final Adopted Budget, the District's administration may submit budget revisions to the District Board during the fiscal year.

School districts in the State must also conduct a review of their budgets according to certain criteria and standards established by the California Department of Education (the "CDE"). A written explanation must be provided for any element in a budget that does not meet the established standards and criteria. The school district superintendent or designee must certify that such a review has been conducted and the certification, together with the budget review checklist and a written narrative, must accompany the budget when it is submitted to the school district's county office of education. The balanced budget requirement makes appropriation reductions necessary to offset any revenue shortfalls, unless sufficient balances exist to cover the shortfall.

Furthermore, county offices of education are required to review school district budgets, complete the budget review checklist and conduct an analysis of any budget item that does not meet the established standards and criteria. In addition, county offices of education are required to determine whether the adopted budget will allow the school district to meet its financial obligations during the fiscal year and is consistent with a financial plan that will enable the school district to satisfy its multiyear financial commitments. The county superintendent of schools must approve, conditionally approve, or disapprove the adopted budget for each school district in accordance with the Education Code. The Education Code directs the county superintendent of schools to disapprove any school district budget if it determines that the budget does not include expenditures necessary to implement an LCAP or an annual update to the LCAP. See "State Funding of School Districts – Local Control Funding Formula – Local Control and Accountability Plan" herein.

In the event that the county office of education disapproves the school district's budget, the county superintendent will submit to the governing board of the school district on or before August 15 of such year recommendations regarding revisions of the budget and the reasons for the recommendations, including, but not limited to, the amounts of any budget adjustments needed before the county superintendent can conditionally approve that budget. In addition, school districts must make available for public review any revisions to revenues and expenditures that it has made to its budget to reflect the funding made available by the State Budget Act (defined herein) not later than 45 days after the enactment of the State Budget Act. If the county superintendent of schools disapproves a revised budget, he or she will call for the formation of a budget review committee.

If the county superintendent of schools conditionally approves or disapproves the budget, the county superintendent of schools is required to transmit recommendations, in writing, to the school district's governing board by September 15. By November 30 of each year, every school district must have an adopted and approved budget, or the county superintendent of schools will impose one and report such school district to the State Legislature and the Department of Finance. In prior years, LACOE has granted a conditional approval to certain of the District's budgets pending, among other things, information regarding collective bargaining and other budgetary considerations. However, in the last ten years, LACOE has not disapproved any budget submitted to it by the District.

Fiscal Year 2017-18 District Budget. The District's budget for Fiscal Year 2017-18 (the "Fiscal Year 2017-18 District Final Adopted Budget") was adopted by the District Board on June 20, 2017, and subsequently approved by LACOE. The Fiscal Year 2017-18 District Final Adopted Budget is balanced due to the projected receipt of greater revenue from the State and the use of one-time unrestricted ending balance of $556.5 million from Fiscal Year 2016-17.

The Fiscal Year 2017-18 District Final Adopted Budget projects a General Fund beginning balance of $1.488 billion, revenues of $7.143 billion, total estimated expenditures of $7.469 billion, other financing sources and uses of negative $41.2 million, and an ending balance of $1.121 billion. The projected General Fund beginning balance of $1.488 billion for Fiscal Year 2017-18 is approximately $178.3 million greater than the Fiscal Year 2016-17 adjusted actual beginning balance. The Fiscal Year 2017-18 District Final Adopted Budget projects that its General Fund ending balance of $1.121 billion will consist of approximately $75.4 million for the mandatory Reserve for Economic Uncertainties, $31.0 million of non-spendable revolving cash, stores, and prepaid expenditures, $150.6 million of restricted ending balances, $588.6 million of assigned ending balances and $275.3 million of undesignated and unassigned ending balances.

The Fiscal Year 2017-18 District Final Adopted Budget includes certain assumptions and policies, including: (a) a COLA of 1.56% and LCFF Gap Funding (defined herein) percentage of 43.19% for LCFF (defined herein) revenues; (b) COLA of 1.56% for selected categorical programs outside of the LCFF; (c) LCFF ADA (defined herein) of 448,386.9 for non-charter schools and 40,789.8 for Affiliated Charter Schools; (d) three-year rolling average unduplicated count and percentage of 403,697 and 84.95% for non-charter schools and 18,143 and 43.03% for Affiliated Charter Schools; (e) an LCFF allocation of $650.8 million from the Education Protection Account (the "Education Protection Account") established by Proposition 30 (defined herein) to be spent for instruction; (f) an increase in the LCFF proportionality expenditure requirement of $98.27 million, which was subsequently revised by the Unduplicated Pupils Financing Settlement Agreement (see "District Financial Information – Risk Management – Litigation regarding the Local Control Funding Formula" and " – District Budget – Expenditures for Unduplicated Pupils" herein); (g) a COLA of 1.56% on the special education apportionment from the State under Assembly Bill 602 (1997); (h) a net enrollment decline of 10,642 students from 2016-17 for non-charter and Affiliated Charter Schools; (i) an enrollment increase of approximately 4,089 students for Fiscally Independent Charter Schools; (j) funding for employee health and medical benefits at the per participant rate set forth in the 2015-2017 Health Benefits Agreement (defined herein); (k) a contribution of

\$100.9 million to the OPEB Trust Fund for Fiscal Year 2017-18; (l) an increase of 1.85% in the contribution rate for CalSTRS (defined herein) for Fiscal Year 2017-18 from 12.58% to 14.43%; (m) an increase of 1.643% of the CalPERS (defined herein) employer contribution rate for Fiscal Year 2017-18 from 13.888% to 15.531%; (n) a California consumer price index of 3.11% on other operating expenditures, except utilities which is projected to increase by 5%; (o) ongoing and major maintenance resources of \$225.9 million, which amount constitutes approximately 3% of the District's budgeted General Fund expenditures and other financing uses; (p) support to the cafeteria program and child development from the General Fund of \$28.5 million and \$32.5 million, respectively, in Fiscal Year 2017-18; (q) a contribution of \$119.1 million to the Workers' Compensation Fund, which includes the total Workers' Compensation actuarially-determined funded liability of \$504.2 million; (r) inclusion of general obligation bonds and COPs (defined herein) debt service and other interfund transfer expenditures in Fiscal Year 2017-18; (s) a Reserve for Economic Uncertainties totaling \$75.4 million, which reflects the statutory 1% budgeted expenditure requirement and other financing uses; (t) inclusion of beginning balances in the General Fund and other funds for Fiscal Year 2017-18, reflecting the estimated ending balance as of June 30, 2017, contained in the financial report submitted to LACOE by the District in June 2017; (u) estimated ending balances for the General Fund and other funds for Fiscal Year 2017-18, which reflecting the difference between the estimated revenue and expenditure levels for Fiscal Year 2017-18; (v) authority to transfer amounts, as necessary, to implement technical adjustments related to the 2017-18 Final Adopted Budget; (w) authority to implement new revenues for Fiscal Year 2017-18, if any, and increase budgeted appropriations accordingly; (x) carryover of General Fund School Program to individual school sites; (z) a transfer from the Community Redevelopment Agency Fund to the General Fund initially paid for the ongoing and major maintenance resources.

District General Fund Budgets and Audited and Estimated Actuals. The following Table A-6 sets forth the District's Final Adopted Budgets for the District General Fund, inclusive of regular and specially funded programs, for Fiscal Years 2013-14 through 2017-18 and the actual results for Fiscal Years 2013-14 through 2016-17. The budgeted beginning balance for each fiscal year reflects the estimated ending balance for the prior fiscal year based upon information as of the budget adoption date. Accordingly, the budgeted ending balance for a fiscal year and the subsequent budgeted beginning balance may differ from the actual ending balance and actual beginning balance.

TABLE A-6

LOS ANGELES UNIFIED SCHOOL DISTRICT
District General Fund Budget for Fiscal Years 2013-14 through 2017-18, Audited Actuals for Fiscal Years 2013-14 through 2016-17(1)(2)(3)
($ in millions)

	Final Adopted Budget 2013-14	Audited Actuals 2013-14	Final Adopted Budget 2014-15	Audited Actuals 2014-15	Final Adopted Budget 2015-16	Audited Actuals 2015-16(4)	Final Adopted Budget 2016-17	Audited Actuals 2016-17	Final Adopted Budget 2017-18
Beginning Balance	$638.7	$592.7	$655.2	$700.3	$665.2	$819.8	$1,128.4	$1,310.2	$1,488.5
Revenue:									
State Apportionment	$2,246.9	$3,480.2	$3,827.2	$3,811.4	$4,388.3	$4,200.8	$4,430.0	$4,246.4	$4,392.1
Property Taxes	809.0	870.9	845.7	930.7	861.8	1,089.3	986.5	1,201.1	1,081.4
Total LCFF	3,055.9	4,351.1	4,672.9	4,742.1	5,250.0	5,290.2	5,416.5	5,447.5	5,473.5
Federal	726.2	557.3	727.9	646.8	739.2	585.5	713.9	615.2	645.7
Other State	2,119.5	822.4	705.2	905.4	953.8	1,144.7	967.1	942.9	890.2
Other Local	141.3	122.8	117.0	125.8	136.1	141.2	122.1	170.5	133.8
Total Revenue	$6,042.8	$5,853.6	$6,223.1	$6,420.1	$7,079.1	$7,161.4	$7,219.6	$7,176.1	$7,143.2
Total Beginning Balance and Revenue	$6,681.5	$6,446.4	$6,878.3	$7,120.3	$7,744.3	$7,981.3	$8,348.0	$8,486.3	$8,631.7
Expenditures									
Certificated Salaries	$2,582.2	$2,585.4	$2,694.6	$2,782.5	$3,039.1	$2,842.3	$2,931.9	$2,861.9	$2,870.2
Classified Salaries	804.4	800.3	828.6	847.2	871.0	927.4	976.7	963.8	915.0
Employee Benefits	1,374.2	1,385.7	1,472.7	1,564.9	1,542.8	1,731.3	1,925.2	1,825.9	2,075.3
Books and Supplies	504.7	182.2	526.6	275.6	683.4	245.7	570.2	259.5	774.9
Other Operating Expenses	729.6	667.5	724.6	712.5	816.1	859.6	828.4	799.8	831.4
Capital Outlay	30.6	32.3	12.5	15.6	7.0	41.1	15.0	61.1	19.8
Debt Service	1.1	0.9	1.0	0.9	0.1	0.8	0.9	0.7	0.8
Other Outgo	1.2	6.3	1.1	6.5	7.6	5.7	7.8	5.3	7.7
Transfers of Indirect Cost	--	--	--	--	(22.4)(4)	(20.7)	(21.6)	(19.5)	(25.6)
Total Expenditures	$6,027.9	$5,660.7	$6,261.6	$6,205.7	$6,944.7	$6,633.3	$7,234.5	$6,758.6	$7,469.5
Excess (Deficiency) of Revenue Over (Under) Expenditures	15.0	192.9	(38.6)	214.3	134.4	528.2	(14.9)	417.6	(326.3)
Total Other Financing Sources (Uses)	(171.6)	(85.4)	(127.3)	(94.8)	(80.7)	(37.8)	(82.8)	37.4	(41.2)
Change in Fund Balance	(156.7)	107.5	(165.9)	119.6	53.7	490.4	(97.7)	455.0	(367.5)

	Final Adopted Budget 2013-14	Audited Actuals 2013-14	Final Adopted Budget 2014-15	Audited Actuals 2014-15	Final Adopted Budget 2015-16	Audited Actuals 2015-16[4]	Final Adopted Budget 2016-17	Audited Actuals 2016-17	Final Adopted Budget 2017-18
Ending Balance	$482.0	$700.3	$489.3	$819.8	$718.9	$1,310.2	$1,030.7	$1,765.1	$1,120.9
Fund Balance									
Nonspendable	$11.2	$19.6	$18.5	$20.7	$19.6	31.1	$20.7	$23.5	31.1
Restricted	78.8	192.9	77.9	126.5	59.1	182.8	151.0	163.1	150.6
Committed	--	--	--	--	218.3	218.3	--	--	--
Assigned	247.4	336.4	303.2	418.4	308.2	558.7	702.7	783.9	588.6
Reserved for Revenue Uncertainties	32.5	--	--	--	--	--	--	--	--
Reserved for Economic Uncertainties	65.4	65.4	65.4	65.4	72.4	72.4	73.4	73.4	75.4
Undesignated/Unassigned	46.7	85.9	24.3	188.8	41.3	247.0	82.9	721.3	275.3
	$482.0	$700.3	$489.3	$819.8	$718.9	$1,310.2	$1,030.7	$1,765.1	$1,120.9

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

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

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

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

Sources: Los Angeles Unified School District's Final Adopted Budgets for Fiscal Years 2013-14 through 2017-18; Comprehensive Annual Financial Reports for Fiscal Years 2013-14 through 2015-16; Audited Annual Financial Report for Fiscal Year 2016-17.

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

District Budget and Interim Financial Estimates. The following Table A-7 sets forth budgeted revenues and expenditures and projected year-end amounts, including projected and year-end General Fund Balances, as reported in the Fiscal Year 2017-18 District Final Adopted Budget and the Fiscal Year 2017-18 First Interim Report. The District has timely prepared these estimates of its Fiscal Year 2017-18 financial results and provided this information to the District Board and LACOE. See "– First Interim Financial Report for Fiscal Year 2017-18" herein.

TABLE A-7

LOS ANGELES UNIFIED SCHOOL DISTRICT
District General Fund
Summary of Fund Balances, Revenues and Expenditures
Fiscal Year 2017-18
($ in millions)

	Fiscal Year 2017-18 District Final Adopted Budget (June 2017)	Fiscal Year 2017-18 First Interim Report (December 2017)[1]
Beginning Balance	$1,488.5	$1,765.1
Revenues	$7,143.2	$7,179.0
Expenditures[2]	$7,469.5	$7,113.1
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources and Uses	$(326.3)	$65.9
Other Financings Sources/Uses[2]	$(41.2)	$(12.1)
Ending Balance	$1,120.9	$1,818.9

(1) Reflects the District's actuals for Fiscal Year 2017-18 for the period from July 1, 2017 through October 31, 2017 and projections for the period from November 1, 2017 through June 30, 2018.
(2) Effective Fiscal Year 2015-16, the District's audited financial statements have implemented recommendations promulgated by the Government Finance Officers Association to reclassify "Transfer of Indirect Costs" as expenditures. Prior to this recommendation, "Transfer of Indirect Costs" was classified as "Other Financing Sources & Uses."

Sources: Los Angeles Unified School District Fiscal Year 2017-18 District Final Adopted Budget, Fiscal Year 2017-18 First Interim Report.

First Interim Financial Report for Fiscal Year 2017-18. The District filed its Fiscal Year 2017-18 First Interim Report with LACOE by the December 15, 2017 deadline with a self-certified qualified certification of the District's financial condition. The Fiscal Year 2017-18 First Interim Report incorporated, among other things, the effects of the Unduplicated Pupils Funding Settlement Agreement, the Fiscal Year 2017-18 LCAP, and the District's unaudited results for Fiscal Year 2016-17. See "District Financial Information – District Budget – Expenditures for Unduplicated Pupils" herein.

The Fiscal Year 2017-18 First Interim Report projected that the District's General Fund ending balance as of June 30, 2018 would be approximately $1.8 billion, which would consist of approximately $28.5 million of non-spendable moneys, $132.2 million of restricted funds, $897.7 million of assigned funds, $75.4 million to be deposited in the Reserve for Economic Uncertainties and $685.1 million of unassigned/unappropriated funds. The Fiscal Year 2017-18 First Interim Report projected that the General Fund ending balance would satisfy the 1% minimum percentage required to be deposited in its Reserve for Economic Uncertainties in Fiscal Years 2017-18, 2018-19 and 2019-20 pursuant to the California Code of Regulations. However, the District continues to use one-time revenues to pay for certain expenditures. Absent corrective action, the District's unassigned/unappropriated reserves are projected to decline to $373.2 million in Fiscal Year 2018-19 and $38.6 million in Fiscal Year 2019-20.

The Fiscal Year 2017-18 First Interim Report stated that the District would be able to meet its financial obligations in Fiscal Years 2017-18 through 2019-20. However, the District projected that it would need budget-balancing solutions and/or shared commitments from its collective bargaining units in Fiscal Year 2019-20 in order to satisfy the 5% Minimum Reserve Threshold required pursuant to the District's Budget and Finance Policy. See "District Financial Information – District Financial Policies – Budget and Finance Policy – Liability Reserves."

The Fiscal Year 2017-18 First Interim Report also included certain changes to the District's Fiscal Stabilization Plan (the "Fiscal Stabilization Plan"), which was initially developed in conjunction with the District's Fiscal Year 2016-17 Second Interim Report to address then-projected deficits for Fiscal Year 2018-19. Pursuant to the initial Fiscal Stabilization Plan, the District was to (i) implement reductions to the central office, (ii) reduce clerical staff allocated to school sites, (iii) address various disproportionality issues, (iv) shift telecommunications maintenance funding, and (v) change routine repair and general maintenance funding. In addition, the District was to maintain OPEB contributions at Fiscal Year 2017-18 levels and implement a school allocation carryover from the General Fund. In conjunction with the District's Fiscal Year 2017-18 Final Budget, the Fiscal Stabilization Plan was modified to include the elimination of certain other-post-employment benefits contributions, the allocation of certain encumbrances and available balances for a school site to a subsequent fiscal year (*i.e.*, "carryover") and an increase of class size. As a result of savings attributable to actions previously taken under the Fiscal Stabilization Plan and the District's higher than expected ending balances (as projected as of the Fiscal Year 2017-18 First Interim Report), the District determined as part of the Fiscal Year 2017-18 First Interim Report to eliminate the class size increase and a portion of the carryover of school site funds, all of which was scheduled to occur in Fiscal Year 2019-20. The actions taken and to be taken under the Fiscal Stabilization Plan are projected to result in $105.2 million in savings in Fiscal Year 2017-18, $255.5 million in savings in Fiscal Year 2018-19, and $405.8 million in savings in Fiscal Year 2019-20.

Revenues from the Federal Government. The District receives from the federal government special education entitlement and discretionary grants, vocational and applied technology programs, and other programs established by the Elementary and Secondary Education Act of 1965, No Child Left Behind Act of 2001, and Every Student Succeeds Act of 2016. In addition, the District receives funding to support educationally disadvantaged children, delinquent children, teacher and principal training and recruiting, and language and instruction programs for limited English proficient and immigrant education programs.

The Fiscal Year 2017-18 First Interim Report projects that $585.7 million, or approximately 8.2% of the District's General Fund revenues will come from the federal government. The District cannot predict what actions will be taken in the future by the federal government or the President to address federal budgetary deficits, if any or cash management practices, or the amount of debt that can be issued by the United States Treasury. Future federal budgets will be affected by national and international economic conditions, including economic downturns, and other factors over which the District will have no control. To the extent that the federal budget process results in reduced revenues, deferred revenues, or increased expenses for the District, the District will be required to make adjustments to its budget and cash management practices. In such event, the District will be required to generate additional revenues, curtail programs or services, or use its reserve funds to ensure a balanced budget.

On January 16, 2018, H. R. 4805 (the "H. R. 4805"), was introduced in the U.S. House of Representatives. H. R. 4805 would, among other things, make a "sanctuary jurisdiction" ineligible to receive federal financial assistance if such jurisdiction has in effect a statute, ordinance, policy, or practice that prohibits or restricts any government entity or official from sending, receiving, maintaining, or exchanging with any Federal, State, or local government entity information regarding the citizenship or immigration status (lawful or unlawful) of any individual, or complying with a request lawfully made by the Department of Homeland Security to comply with a detainer for, or notify about the release of, an individual. In October 2017, the State of California enacted S.B. 54. This law limits State and local agencies' interactions with federal immigration authorities. The District receives federal funding for certain programs as described above. See "– Revenues from the Federal Government" herein. The District also receives certain direct cash subsidy payments from the United States Department of the Treasury in connection with certain of the District's outstanding obligations. See "District Financial Information – District Debt – Limitations Related to Receipt of Federal Funds." The enactment of H.R. 4805 in its present form would not have an adverse effect on the ability of the District to make debt service payments on the Bonds. The impact of the enactment of H.R. 4805, as it may be modified, and similar federal legislation, including their impacts on the District's revenues, cannot be determined at this time.

Significant Accounting Policies, System of Accounts and Audited Financial Statements

The CDE imposes by law uniform financial reporting and budgeting requirements for K-12 school districts. Financial transactions are accounted for in accordance with the California School Accounting Manual. The District uses fund accounting and maintains governmental funds, proprietary funds and fiduciary funds. The General Fund is the chief operating fund of the District. For a description of the other major funds of the District, see the description thereof contained in Appendix B – "Audited Annual Financial Report of the District for the Fiscal Year ended June 30, 2017" attached hereto. Note 1 to such audited financial statements sets forth significant accounting policies that the District follows. Simpson & Simpson Certified Public Accountants, Los Angeles, California, served as independent auditor to the District for its audited financial statements for Fiscal Year 2016-17. See Appendix B – "Audited Annual Financial Report of the District for the Fiscal Year ended June 30, 2017" attached hereto.

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

Employees and Labor Relations

General. The District has twelve bargaining units with existing contracts. The largest bargaining unit among the District's employees is United Teachers of Los Angeles ("UTLA"), which is comprised of, among other employees, teachers, counselors, advisers, nurses, psychologists, and social workers. In addition, certain employees are not represented by a formal bargaining unit (the "District Represented Employees"). The following Table A-8 sets forth the number of members of each bargaining unit as of February 9, 2018 and the expiration dates of the existing or successor labor agreements with each of the District's employee bargaining units.

TABLE A-8

LOS ANGELES UNIFIED SCHOOL DISTRICT
Employee Bargaining Units and Contract Expiration Dates
As of February 9, 2018

Employee Bargaining Unit	Members	Contract Expiration Date (June 30)
Associated Administrators of Los Angeles ("AALA") (Certificated)	2,527	2017
Unit A (School Police)	393	2017
Unit B (Instructional Aides)	12,903	2017
Unit C (Operations – Support Services)	7,857	2017
Unit D (Office – Technical and Business Services)	3,998	2017
Unit E (Skilled Crafts)	1,535	2017
Unit F (Teacher Assistants)	3,803	2017
Unit G (Playground Aides)	7,412	2017
Unit H (Sergeants and Lieutenants)	64	2017
Unit J (Classified Management)	340	2018
Unit S (Classified Supervisors)	3,255	2017
United Teachers of Los Angeles	35,293	2017
District Represented Employees(1)	546	N/A

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

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

Negotiations Regarding Labor Contracts. The District is presently negotiating labor contracts with each of its employee bargaining units (except for Unit J (classified management), whose contract expires on June 30, 2018, and District-represented employees for whom there is no labor contract). The District and UTLA are in negotiations on the topics of salary, class size, evaluations, transfers, academic freedom, and student discipline. The District and Service Employees International Union, Local 99, which includes members of Unit B, Unit C, Unit F, and Unit G, have been in negotiations since March 2017 on the subjects of salary, increase in maintenance staff, due process, lay off rights, training programs, new employee orientation and rights regarding subcontracting. The District is also negotiating with Unit E (Trades) on the subjects of salary, transfer flexibility and apprentices, and with the certificated administrative staff in AALA on the subjects of salary, evaluations due process, leaves, and administrative assignments and transfers.

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

Reduction in Force and Release Notices. In general, pursuant to the Education Code, the District must give written notice to a certificated employee by March 15 (each a "Reduction in Force and Release Notice"), prior to the commencement of a school year if such certificated employee may be released or reassigned for that school year. To provide flexibility in the event budget reductions are necessary in a given fiscal year, the District Board may approve the use of Reduction in Force and Release Notices for a portion of its certificated employees. In February 2018, the District Board is expected to consider Reduction in Force and Release Notices for all certificated contract level management and senior management employees of the classified service with expiring contracts and all non-school based administrators in specified positions informing them that they may be released or reassigned for the 2018-19 school year, and authorizing staff to send subsequent notices confirming release or reassignment of the affected employee by June 30, 2018 or at least 45 days in advance of their expiring contract, or as otherwise specified.

Retirement Systems

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

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

The following Table A-9 sets forth the District's aggregate contributions to CalSTRS, CalPERS and PARS, inclusive of employee contributions to CalPERS paid by the District, for Fiscal Years 2013-14 through 2016-17, the estimated contribution for 2017-18, and these contributions as a percentage of the District's Total Governmental Funds expenditures for Fiscal Years 2013-14 through 2017-18. See Table A-10 "Annual Regular CalSTRS Contributions," Table A-12 "Annual CalPERS Regular Contributions" and Table A-15 "Annual PARS Contribution." See also the District's financial statements for Fiscal Year 2016-17 contained in Appendix B – "Audited Annual Financial Report of the District for the Fiscal Year ended June 30, 2017" attached hereto.

TABLE A-9

LOS ANGELES UNIFIED SCHOOL DISTRICT
Aggregate Employer Contributions to CalSTRS, CalPERS and PARS
Fiscal Years 2013-14 through 2017-18
($ in millions)

Fiscal Year	District Contributions(1)	District Contribution as Percentage of Total Governmental Funds Expenditures
2013-14	$348.6	4.45%
2014-15	373.6	4.47
2015-16	438.5	5.04
2016-17	520.8	5.91
2017-18(2)	610.7	6.22

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

Sources: Los Angeles Unified School District Comprehensive Annual Financial Reports for Fiscal Years 2013-14 through 2015-16; Audited Annual Financial Report for Fiscal Year 2016-17; Fiscal Year 2017-18 District Final Adopted Budget; and the District for the percentage of Total Governmental Funds Expenditures.

California State Teachers' Retirement System. CalSTRS is a defined benefit plan that covers all full-time certificated District employees and some classified District employees, which are District employees employed in a position that does not require a teaching credential from the State. Benefit provisions are established by State legislation in accordance with the State Teachers' Retirement Law. CalSTRS is operated on a Statewide basis and, based on publicly available information, has substantial unfunded liabilities. Additional funding of CalSTRS by the State and the inclusion of adjustments to such State contributions based on consumer price changes were provided for in 1979 Statutes, Chapter 282. Copies of the CalSTRS' comprehensive annual financial report may be obtained from CalSTRS, P.O. Box 15275, Sacramento, California 95851-0275. The information presented in these reports is not incorporated by reference in this Official Statement.

Member benefits are determined pursuant to the Education Code and are generally based on a member's age, final compensation and years of credited service. Members are 100% vested in retirement benefits after five years of credited service and are eligible for "normal" retirement at age 60 and for early retirement at age 55 or at age 50 with 30 years of credited service. The normal retirement benefit is 2% of final compensation (as defined in the Education Code) for each year of credited service (up to 2.4% of final compensation for members retiring after age 60), and members who retire on or after January 1, 2011 with 30 or more years of service by December 31, 2010 receive monthly bonus payments of up to $400 per month. Members hired on or after January 1, 2013 who retire at age 62 are eligible for a benefit equal to 2% of final compensation for each year of credited service (up to 2.4% of final compensation for members retiring after age 62). Benefits include a 2% cost of living increase (computed on a simple, non-compounded, basis based on the initial allowance) on each September 1 following the first anniversary of the effective date of the benefit. See "District Financial Information – Retirement Systems - California Public Employees' Pension Reform Act of 2013" herein and Note 9(b) set forth in Appendix B – "Audited Annual Financial Report of the District for the Fiscal Year ended June 30, 2017" attached hereto.

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

The State is not an employer (with certain limited exceptions) in any of the CalSTRS programs but contributes to the DB Plan and a supplemental benefits maintenance account pursuant to provisions of the Education Code. For Fiscal Year 2017-18, the State will contribute 6.828% of members' annual earnings to the DB Plan and an additional 2.5% of member earnings into the CalSTRS supplemental benefit maintenance account, which is used to maintain the purchasing power of benefits.

The District's employer contribution rate for Fiscal Year 2017-18 is 14.43% of covered payroll, which is inclusive of the employer base contribution of 8.25% of payroll provided by the Education Code. Pursuant to the Education Code, the District's employer contribution rate increased by 1.85% of covered payroll annually beginning July 1, 2015 and will continue to increase to 16.28% of covered payroll in Fiscal Year 2018-19, 18.13% of covered payroll in Fiscal Year 2019-20, and 19.10% of covered payroll in Fiscal Year 2020-21. The employee contribution rate for CalSTRS members first hired on or before December 31, 2012 to perform CalSTRS creditable activities (i.e., CalSTRS 2% at 60 members) was 9.20% for Fiscal Year 2015-16 and 10.25% for Fiscal Year 2016-17 and remains 10.25% for Fiscal Year 2017-18. The employee contribution rate for CalSTRS members first hired on or after January 1, 2013 to perform CalSTRS creditable activities (i.e., CalSTRS 2% at 62 members) was 8.56% for Fiscal Year 2015-16 and 9.205% for Fiscal Year 2016-17 and remains 9.205% for Fiscal Year 2017-18. The State Teachers Retirement Board is authorized to modify the percentages paid by employers and employees for Fiscal Year 2021-22 and each fiscal year thereafter in order to eliminate CalSTRS' unfunded liability by June 30, 2046 based upon actuarial recommendations. See "District Financial Information – Retirement Systems – Pension Accounting and Financial Reporting Standards" and "State Budget – Limitations on School District Reserves" herein.

The following Table A-10 sets forth the District's regular annual contributions to CalSTRS for Fiscal Years 2013-14 through 2016-17, the estimated contribution Fiscal Year 2017-18, and these contributions as a percentage of the District's Total Governmental Funds expenditures for Fiscal Years 2013-14 through 2017-18. The District has always paid all required CalSTRS annual contributions. As of June 30, 2017, 36,093 District employees were members of CalSTRS.

TABLE A-10

LOS ANGELES UNIFIED SCHOOL DISTRICT
Annual Regular CalSTRS Contributions
Fiscal Years 2013-14 through 2017-18
($ in millions)

Fiscal Year	CalSTRS Employer Rate	District Contributions [1]	District Contribution as Percentage of Total Governmental Funds Expenditures
2013-14[2]	8.25%	$212.5	2.71%
2014-15	8.88	245.5	2.94
2015-16	10.73	302.7	3.48
2016-17	12.58	358.1	4.06
2017-18[3]	14.43	416.4	4.24

(1) Reflects data for all District Funds, including the District's General Fund.
(2) Excludes employee contributions paid by the District.
(3) Estimated. Excludes on-behalf payments from the State to CalSTRS.

Sources: Los Angeles Unified School District Comprehensive Annual Financial Reports for Fiscal Years 2013-14 through 2015-16; Audited Annual Financial Report for Fiscal Year 2016-17; Fiscal Year 2017-18 District Final Adopted Budget; and the District for the percentage of Total Governmental Funds Expenditures.

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

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

On February 1, 2017, the State Teachers' Retirement Board voted to adopt revised actuarial assumptions reflecting members' increasing life expectancies and current economic trends. These revised assumptions are reflected in the California State Teachers' Retirement System Defined Benefit Program Actuarial Valuation as of June 30, 2016 (the "2016 CalSTRS Actuarial Valuation"), the most recent actuarial valuation for the CalSTRS plan. The actuarial assumptions set forth in the 2016 CalSTRS Actuarial Valuation use the "Entry Age Normal Cost Method" and, among other things, a 7.25% investment rate of return for measurements as of June 30, 2016 and an assumed 7.00% investment rate of return for measurements subsequent to June 30, 2016, 3.00% interest on member accounts, projected 3.50% wage growth (down from 3.75%), projected 2.75% inflation (down from 3.00%), and demographic assumptions relating to mortality rates, length of service, rates of disability, rates of withdrawal, probability of refund, and merit salary increases. The actuarial assumptions and methods used in the 2016 CalSTRS Actuarial Valuation were based on the CalPERS Experience Study and Review of Actuarial Assumptions for the period from July 1, 2010 to June 30, 2015 adopted by the Teacher's Retirement Board in February 2017 (the "CalSTRS Experience Analysis"). CalSTRS' unfunded liability will vary from time to time depending upon actuarial assumptions, actual rates of return on investment, salary scales and levels of contribution.

The 2016 CalSTRS Actuarial Valuation states that, as of June 30, 2016, the future revenues from contributions and appropriations for the DB Plan are projected to be sufficient to finance its obligations, except for obligations relating to service rendered after June 30, 2014 and not otherwise included in the funding formula (calculated in the 2016 CalSTRS Actuarial Valuation to be $639 million as of June 30, 2015) and post-2014 service that is not actuarially funded. The 2016 CalSTRS Actuarial Valuation reflects a decrease in overall funded ratio of its defined benefit program from 68.5% to 63.7%. However, the 2016 CalSTRS Actuarial Valuation projects that the funded ratio will improve over the longer term.

The CalSTRS Comprehensive Annual Financial Report for Fiscal Year 2016-17 (the "2016-17 CalSTRS CAFR") states that during Fiscal Year 2016-17, CalSTRS included 37,632 covered employees of the District in its State Teachers Retirement Program and 2,742 covered employees of the District in its tax-deferred defined contribution plans under Sections 403(b) and 457 of the Internal Revenue Code (the "Pension2 Program"). Accordingly, covered employees of the District represented approximately 7.95% and 13.70% of covered employees in the State Teacher's Retirement Program and Pension2 Program, respectively. Based on the "Schedule of Proportionate Share of Contributions for Employers and Nonemployer Contributing Entity for the Year ended June 30, 2017" prepared by CalSTRS, the District's CalSTRS-Calculated Employer Contribution for Fiscal Year 2016-17 was approximately $353.7 million which amount reflected approximately 5.305% of all employer contributions for Fiscal Year 2016-17.

The UAAL and funded status of the CalSTRS pension fund as of June 30 of Fiscal Years ended June 30, 2012 through June 30, 2016 are set forth in the following Table A-11. The fair market value of the CalSTRS pension fund as of June 30, 2015 and June 30, 2016 was $180.6 billion and $177.9 billion, respectively, based on total system assets less amounts allocable to the CalSTRS Supplemental Benefits Maintenance Account Reserve. The individual funding progress for the District and the District's proportionate share of CalSTRS' net pension liability is set forth in the District's audited financial statements. See "District Financial Information – Retirement Systems – Pension Accounting and Financial Reporting Standards" herein and Appendix B – "Audited Annual Financial Report of the District for the Fiscal Year ended June 30, 2017" attached hereto.

TABLE A-11

Actuarial Value of State Teachers' Retirement Fund Defined Benefit Program Valuation Dates June 30, 2012 through June 30, 2016 ($ in billions)

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

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

Sources: California State Teachers' Retirement System Defined Benefit Program Actuarial Valuations as of June 30, 2012 through June 30, 2016.

<u>District Proportionate Share</u>. As of June 30, 2017, the District's proportionate share of CalSTRS' net pension liability was approximately $4.52 billion, based on a discount rate of 7.6%. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the 2015-16 fiscal year employer contributions calculated by CalSTRS with consideration given to separately financed and irregular employer contributions relative to the projected contributions of all participating employer and non-employer contributing entities. At June 30, 2017, the District's proportion was 5.589%. The District's proportionate share of the CalSTRS net pension liability was projected to be $2.87 billion if the discount rate was increased to 8.6% and $6.50 billion if the discount rate was decreased to 6.6%. See Note 9(b) of the District's financial statements attached as Appendix B – "Audited Annual Financial Report of the District for the Fiscal Year ended June 30, 2017" attached hereto.

California Public Employees' Retirement System. CalPERS is a defined benefit plan that covers classified personnel who work four or more hours per day. CalPERS is operated on a Statewide basis and, based on publicly available information, has significant unfunded liabilities. CalPERS issues a comprehensive annual financial report and actuarial valuations that include financial statements and required supplementary information. Copies of the CalPERS CAFR and actuarial valuations may be obtained from the CalPERS Financial Services Division, P.O. Box 942703, Sacramento, California 94229-2703. The information set forth therein is not incorporated by reference in this Official Statement. Benefit provisions are established by State legislation in accordance with the Public Employees' Retirement Law and are generally based on a member's age, final compensation, and years of credited service. For a description of member benefits for both the Safety Plan and Miscellaneous Plan of the District administered by CalPERS, see Note 9(a) set forth in Appendix B – "Audited Annual Financial Report of the District for the Fiscal Year ended June 30, 2017" attached hereto.

The benefits for the CalPERS plans are funded by contributions from members and employers, and earnings from investment. Member contributions rates are established pursuant to the Public

Employees' Retirement Law and depend on the respective employer's benefit formulas. In certain circumstances, a portion of member contributions are paid for by the employer.. Employer contribution rates are determined by periodic actuarial valuations or by statue. For a description of employer and member contribution rates, see Note 9(a) set forth in Appendix B – "Audited Annual Financial Report of the District for the Fiscal Year ended June 30, 2017" attached hereto.

Funding; Contributions. The contribution requirements of the plan members are established by State statute. The actuarial methods and assumptions used for determining the rates are based on those adopted by Board of Administration of CalPERS. In February 2014, the CalPERS Board of Administration adopted new actuarial assumptions based on the CalPERS Experience Study and Review of Actuarial Assumptions dated January 2014. The increased costs for the District, expected as a result of such assumptions, will be amortized over 20 years and phased in over five years beginning in Fiscal Year 2016-17. These new assumptions were applied beginning with the June 30, 2015 valuation for the schools pool, setting employer contribution rates for Fiscal Year 2016-17. CalPERS estimated that the new demographic assumptions could cost public agency employers up to 9% of payroll for safety employees and up to 5% of payroll for miscellaneous employees at the end of the five year phase-in period. To the extent, however, that future experiences differ from CalPERS' current assumptions, the required employer contributions may vary.

The District's contributions for all members for Fiscal Year 2016-17 were in accordance with the required contribution rates calculated by CalPERS' actuary for each fiscal year. For Fiscal Year 2017-18, the employee contribution rate for classic plan members is 7.0% of monthly salary and the employee contribution rate for PEPRA members is 6.5% (being 0.5% higher than the prior year's rate) of monthly salary. The District's employer contribution rate increased from 11.847% of covered payroll for Fiscal Year 2015-16, to 13.888% of covered payroll for Fiscal Year 2016-17, then to 15.531% of covered payroll for Fiscal Year 2017-18. The District and employee contribution rates were generated based on the June 30, 2016 annual valuation (the "2016 CalPERS Actuarial Valuation") using the same discount rate as the prior year, which was 7.50%. In December 2016, the CalPERS Board of Administration voted to lower the current 7.5% discount rate for school employers such as the District to 7.375% for Fiscal Year 2018-19, 7.25% for Fiscal Year 2019-20, and 7.0% beginning Fiscal Year 2020-21. The change in the assumed rate of return is expected to result in increases in the District's normal costs and unfunded actuarial liabilities. For the District, the implementation of the reduced discount rate will start in the June 30, 2017 annual valuation and will increase the District's contribution costs beginning in Fiscal Year 2018-19. Historically, the District paid the employee's contribution for most of the safety members and certain percentages miscellaneous members. The District's annual pension costs for Fiscal Years 2013-14 through 2016-17 were equal to the annual required contributions for such fiscal years and its net pension obligation to CalPERS for such fiscal years was $0.

The following Table A-12 sets forth the District's employer contribution rates, regular annual contributions, inclusive of employee contributions paid by the District to CalPERS for Fiscal Years 2013-14 through 2016-17, the estimated contribution for Fiscal Year 2017-18 and these contributions as a percentage of the District's Total Governmental Funds expenditures for Fiscal Years 2013-14 through 2017-18. The District has always paid all required CalPERS annual contributions. As of June 30, 2017, 27,051 District employees were members of CalPERS.

TABLE A-12

LOS ANGELES UNIFIED SCHOOL DISTRICT
Annual CalPERS Regular Contributions
Fiscal Years 2013-14 through 2017-18
($ in millions)

Fiscal Year	CalPERS Employer Rate (Miscellaneous)	CalPERS Employer Rate (Safety)	District Contributions[1]	District Contribution as Percentage of Total Governmental Funds Expenditures
2013-14	11.442%	31.821%	$131.2	1.67%
2014-15	11.771	30.845	122.7	1.47
2015-16	11.847	32.230	129.6	1.49
2016-17	13.888	34.384	155.9	1.77
2017-18[2]	15.531[3]	33.138	188.8	1.92

(1) Reflects data for all District Funds, including the District's General Fund.
(2) Estimated. Reflects the elimination of the Employer Paid Member Contribution for its employees.
(3) In April 2017, CalPERS decreased the employer contribution rate from 15.800% to 15.531% and increased the member contribution rate to 6.5% from 6.0% for school employees subject to PEPRA for the period of July 1, 2017 to June 30, 2018.

Sources: Los Angeles Unified School District Comprehensive Annual Financial Reports for Fiscal Years 2013-14 through 2015-16; Audited Annual Financial Report for Fiscal Year 2016-17; Fiscal Year 2017-18 District Final Adopted Budget; Fiscal Year 2017-18 First Interim Report, and the District for the percentage of Total Governmental Funds Expenditures.

Actuarial Valuation. Since the June 30, 2015 valuation, CalPERS has employed an amortization and smoothing policy that apportions all gains and losses over a fixed 30-year period with the increases or decreases in the rate spread directly over a five-year period. In contrast, the previous policy spread investment returns over a 15-year period with experience gains and losses spread over a rolling 30-year period. The amounts of the pension/award benefit obligation or UAAL will vary from time to time depending upon actuarial assumptions, and actual rates of return on investments, salary scales, and levels of contribution. See Table A–13 – "Actuarial Value of Schools Portion of CalPERS – Historical Funding Status" herein.

The actuarial funding method used in the CalPERS Schools Pool Actuarial Valuation as of June 30, 2016 is the "Individual Entry Age Normal Cost Method". The CalPERS Schools Pool Actuarial Valuation as of June 30, 2016 assumes, among other things, a 7.50% investment rate of return (net of administrative expenses), projected 2.75% inflation, and projected payroll growth of 3.00% compounded annually. The prescribed discount rate will reduce to 7.375% compounded annually (net of administrative expenses) as of June 30, 2017, 7.25% compounded annually (net of administrative expenses) as of June 30, 2018, and 7.0% compounded annually (net of administrative expenses) as of June 30, 2019. The first reduction in the investment rate of return will impact the District's employer contribution rates beginning in Fiscal Year 2018-19. The UAAL and funded status of the Schools portion of CalPERS as of June 30 of Fiscal Years ended June 30, 2012 through June 30, 2016 are set forth in the following Table A-13.

TABLE A-13

Actuarial Value of Schools Portion of CalPERS
Historical Funding Status
Valuation Dates June 30, 2012 through June 30, 2016
($ in millions)

Valuation Date (June 30)	Actuarial Accrued Liabilities	Market Value of Assets (MVA)	Funded Status (MVA)	Unfunded Liabilities/ (Surplus) (MVA)	Projected Payroll for Determining Contributions	Unfunded Liability/ (Surplus) as a % of Payroll
2012	$59,439.13	$44,853.80	75.5%	$14,585.33	$10,242.25	142.4%
2013	61,487.18	49,481.90	80.5	12,005.28	10,423.82	115.2
2014	65,599.71	56,838.24	86.6	8,761.47	11,293.82	77.6
2015	73,324.98	56,814.25	77.5	16,510.73	12,098.06	136.5
2016	77,543.83	55,784.85	71.9	21,758.97	13,021.67	167.1

Source: CalPERS Schools Pool Actuarial Valuation as of June 30, 2016.

District Proportionate Share. As of June 30, 2017, the District reported a net pension liability of $1.6 billion for its proportionate share of the net pension liability of the Miscellaneous Plan. The net pension liability of the Miscellaneous Plan was measured by CalPERS as of June 30, 2016, and the total pension liability for the Miscellaneous Plan used to calculate the net pension liability was determined by CalPERS pursuant to an actuarial valuation as of June 30, 2015 rolled forward to June 30, 2016 using standard update procedures. The District's proportion of the net pension liability was based on the Fiscal Year 2015-16 employer contributions calculated by CalPERS. As of June 30, 2016, the District's proportion of the CalPERS net pension liability was approximately 8.3405%. See "District Financial Information – Retirement Systems – Pension Accounting and Financial Reporting Standards" herein and Note 9 to the audited financial statements of the District contained in Appendix B – "Audited Annual Financial Report of the District for the Fiscal Year ended June 30, 2017" attached hereto.

Safety Plan Actuarial Valuation. The CalPERS Safety Plan of the Los Angeles Unified School District (Employer # 3614620780) Annual Valuation Report as of June 30, 2016 uses the "Entry Age Normal Cost Method" as the actuarial funding method and assumes, among other things, a 7.375% investment rate of return (net of administrative expenses), projected annual salary increases based on category, entry age, and duration of service, projected 2.75% inflation compounded annually and projected payroll growth of 3.00% compounded annually. The UAAL and funded status of the District's Safety Plan, which is an individual component of CalPERS, as of June 30 of Fiscal Years ended June 30, 2012 through June 30, 2016, are set forth in the following Table A-14.

TABLE A-14

CalPERS Actuarial Value of LAUSD Safety Plan[(1)]
Historical Funding Status
Valuation Dates June 30, 2012 through June 30, 2016
($ in millions)

Valuation Date (June 30)	Accrued Liability	Market Value of Assets[(2)]	Unfunded Liability	Funded Ratio	Annual Covered Payroll
2012	$266.9	$190.6	$ 76.3	71.4%	$24.9
2013	277.7	212.7	65.1	76.6	25.4
2014	310.5	248.6	61.9	80.1	26.6
2015	340.9	253.1	87.8	74.3	30.9
2016	365.9	252.2	113.7	68.9	32.3

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

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

Source: CalPERS Safety Plan of the Los Angeles Unified School District (Employer # 3614620780) Annual Valuation Report as of June 30, 2016.

In June 2016, CalPERS provided to the District the CalPERS Contract Audit regarding the District's compliance with its CalPERS contract, the Government Code, PEPRA, and the California Code of Regulations. It includes, among other things, findings with respect to compensation, pay schedules and reporting requirements. Various recommendations were made in the CalPERS Contract Audit and the District has implemented or is in the process of implementing such recommendations.

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

The following Table A-15 sets forth the District's annual contributions to PARS for Fiscal Years 2013-14 through 2016-17, the estimated annual contribution to PARS for Fiscal Year 2017-18 and the contributions as a percentage of the District's Total Governmental Funds expenditures for Fiscal Years 2013-14 through 2017-18. As of June 30, 2017, 16,720 active District employees were members of PARS.

TABLE A-15

LOS ANGELES UNIFIED SCHOOL DISTRICT
Annual PARS Contribution
Fiscal Years 2013-14 through 2017-18
($ in millions)

Fiscal Year	District Contributions[1][2]	District Contribution as Percentage of Total Governmental Funds Expenditures
2013-14	$4.9	0.06%
2014-15	5.4	0.06
2015-16	6.2	0.07
2016-17	6.8	0.08
2017-18[3]	5.4	0.06

(1) Reflects payments to PARS for pension costs associated with the District's regular and specially funded programs.
(2) Includes amounts related to prior years' PARS contributions.
(3) Estimated.

Sources: Los Angeles Unified School District Comprehensive Annual Financial Reports for Fiscal Years 2013-14 through 2015-16; Audited Annual Financial Report for Fiscal Year 2016-17; Fiscal Year 2017-18 District Final Adopted Budget; and the District for the percentage of Total Governmental Funds Expenditures.

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

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

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

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

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

Other Postemployment Benefits

General. In addition to employee health care costs, the District provides postemployment health care benefits in accordance with collective bargaining agreements. As of January 1, 2018, there are approximately 38,448 retirees and 63,129 active employees who meet the eligibility requirements for these benefits. Historically, the District has funded these benefits on a pay-as-you-go basis, paying an amount in each fiscal year equal to the benefits distributed or disbursed in that fiscal year. Beginning in Fiscal Year 2013-14, the District's policy, subject to District Board approval, is to prefund a portion of its OPEB costs for employees, retirees and their beneficiaries by allocating funds for the express purpose of funding future other postemployment benefit costs to the extent possible. See "District Financial Information – District Financial Policies – Budget and Finance Policy – Liability Reserves" herein. The District Board approved the creation of the OPEB Trust Fund in May 2014. The District has contributed approximately $339 million to the OPEB Trust Fund, inclusive of the District's contributions of $60 million in July 2014, $30 million in September 2014, $45 million in September 2015, $6 million in March 2016, $78 million in October 2016 and $120 million in October 2017.

The following Table A-16 sets forth the District's funding of other postemployment benefits for Fiscal Years 2013-14 through 2016-17, the estimated contribution for Fiscal Year 2017-18 set forth in the Fiscal Year 2017-18 District Final Adopted Budget and the contributions as a percentage of the District's Total Governmental Funds expenditures for Fiscal Years 2013-14 through 2017-18. In addition, Table A-16 sets forth the District's contribution to the OPEB Trust for Fiscal Years 2013-14 through 2017-18.

TABLE A-16

LOS ANGELES UNIFIED SCHOOL DISTRICT
Expenditures for Other Postemployment Benefits
Fiscal Years 2013-14 through 2017-18
($ in millions)

Fiscal Year	Amount	OPEB Trust Fund Contribution[(1)]	Pay as You Go Amount	Expenditure as Percentage of Total Governmental Funds Expenditures
2013-14	$326.9	$60.0	$266.9	4.17%
2014-15	310.7	30.0	280.7	3.72
2015-16	338.7	51.0	287.7	3.89
2016-17	342.8	78.0	264.8	3.89
2017-18[(2)]	357.7	120.0	237.7	3.65

(1) Transferred to OPEB Trust Fund in July 2014 attributable to Fiscal Year 2013-14 liability.
(2) Projected.

Sources: District OPEB expenditures from the Los Angeles Unified School District Comprehensive Annual Financial Reports for Fiscal Years 2013-14 through 2015-16; Audited Annual Financial Reports for Fiscal Year 2016-17; Fiscal Year 2017-18 District Final Adopted Budget; Fiscal Year 2017-18 First Interim Report and the District for the percentage of Total Governmental Funds Expenditures.

The District's OPEB consists of post-employment benefits for health, prescription drug, dental, vision and life insurance coverage for retirees; long-term care coverage, life insurance and death benefits that are not offered as part of a pension plan; and long-term disability insurance for employees. As of the date hereof, the most recent actuarial report prepared for the District is its "Actuarial Valuation Report Postretirement Health Benefits as of July 1, 2015," dated December 2, 2015 (the "2015 Postretirement Valuation").

The following are the principal actuarial assumptions used in the 2015 Postretirement Valuation:

1. Measurement Date: July 1, 2015
2. Actuarial Cost Method: Entry Age Normal Cost method with amortization of the unfunded liability over an open 30-year period with a level percentage of pay amortization amounts (assuming 3.0% annual increase).
3. Economic Assumptions:
   a. Discount Rate: 4.70% (based on the assumption that the District will fund 13% of the pre-funded portion of the ARC in the CalPERS' California Employers' Retiree Benefit Trust Asset Allocation Strategy 1 fund) based on a blend of the following rates:
      (i) Unfunded Rate: The actuary assumed an unfunded rate of return of 4.30% on general District funds
      (ii) Fully funded rate: The actuary assumed a rate of return of 7.28% on CalPERS' CERBT Asset Allocation Strategy 1.
      (iii) Partial Funding: The percent of partial funding was determined based on the calculation of: (expected employer contribution in excess of the pay-as-you-go cost) / (ARC at the fully funded discount rate – pay as you go cost).
   b. Inflation: 2.75% per annum

c. Salary Scale: Rates developed in the 1997-2011 CalPERS Experience Study

4. Demographic Assumptions
   a. Mortality: Mortality rates were developed based on the most recent CalSTRS valuation and the 1997-2011 CalPERS Experience Study;
   b. Turnover: Turnover rates developed based on the most recent CalSTRS valuation and the 1997-2011 CalPERS Experience Study;
   c. Retirement: Age-based ranges (retirement rates were developed based on the most recent CalSTRS valuation and 1997-2011 CalPERS Experience Study for School 2% @ 55 participants);
   d. Disability Retirement: Disability rates were developed based on the most recent CalSTRS valuation;
   e. Annual Health Inflation: The health trend rate represents the long-term expected growth of medical benefits paid by the plan due to non-age-related factors such as, among other things, general medical inflation, utilization rates, new technology, health care reform changes for Medicare Advantage plans and excise taxes;
   f. Plan Participation: The actuary assumed 100% of future eligible retirees will elect coverage;
   g. Dependent assumptions: The actuary assumed 40% of future retirees will be married and elect employee plus one coverage for Medi-Cal, and 45% of future retiree will select employee plus one coverage for dental. Male retirees are assumed to be five years older than their female spouses. Female retirees are assumed to be two years younger than their male spouses;
   h. Monthly Premiums applicable to Retirees: Rates based on 2015 composite premium rates; and
   i. 2015-2016 Base Year Claims: The actuary developed age graded pre-Medicare Claims based on composite premiums and used post-Medicare eligibility and actual premium rates.

The Patient Protection and Affordable Care Act and the Health Care and Education Reconciliation Act of 2010 (collectively, the “Affordable Care Act”) were signed into law in March 2010. See Note 9 to the audited financial statements of the District contained in Appendix B – “Audited Annual Financial Report of the District for the Fiscal Year ended June 30, 2017” attached hereto. The 2015 Postretirement Valuation estimated the impact of the Affordable Care Act’s provisions including, but not limited to, the provisions relating to reduced funding on Medicare advantage plans by the federal government, industry tax on fully insured plans, and excise taxes on high cost plans. With the exception of the excise tax on high cost plans, the District’s actuary states that it reflected various provisions of the Affordable Care Act in the 2015 Postretirement Valuation through development of per capita claims. In addition, the District’s actuary reflected the impact of the excise tax in the 2017 Postretirement Valuation by projecting additional increases in the healthcare trend section. Based on information as of the date of the 2015 Postretirement Valuation, the actuary does not expect any other provisions of the Affordable Care Act to impact the results of the 2015 Postretirement Valuation.

The 2015 Postretirement Valuation sets forth the District’s actuarial valuation of postemployment medical benefits as of July 1, 2015 for its employees and retirees. The 2015 Postretirement Valuation sets forth the liabilities of the postemployment benefit plan based upon GASB Statement No. 45. The District’s actuarial consultant included amounts on deposit in the OPEB Trust Fund as of July 1, 2015. The 2015 Postretirement Valuation reports that, as of July 1, 2015, the UAAL of the District’s postretirement health and welfare benefits program is approximately $13.56 billion. Pursuant to GASB 45, OPEB expense in an amount equal to annual OPEB cost is recognized in government-wide financial statements on an accrual basis. Net OPEB obligations ("Net OPEB Obligation"), if any, including amounts associated with under- or over-contributions from governmental funds, are to be displayed as liabilities (or assets) in government-wide financial statements.

The 2015 Postretirement Valuation recommended an annual required contribution ("ARC") of approximately $1.1 billion for Fiscal Year 2016-17. The recommended ARC for Fiscal Year 2016-17 reflects an increase of approximately $47.86 million from the recommended ARC for Fiscal Year 2015-16. The "pay-as-you-go" cost of providing postemployment benefits is projected to be $264.8 million as of June 30, 2016. Accordingly, the District's net OPEB obligation reflected in the District's audited financial statements as of July 1, 2016 was $7.5 billion. Net OPEB Obligation is the cumulative difference between the Annual OPEB Cost to the District of the postemployment benefit plan and the actual contribution in a particular year. Annual OPEB Cost is equal to (i) the ARC, (ii) one year's interest on the Net OPEB Obligation, and (iii) an adjustment to the ARC to offset, approximately, the amount included in item (i) for amortization of the past contribution deficiencies.

Table A-17 below sets forth the District's ARC, annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation for Fiscal Years 2012-13 through 2016-17.

TABLE A-17

LOS ANGELES UNIFIED SCHOOL DISTRICT
Annual Required Contributions, OPEB Costs and Net OPEB Obligations
Fiscal Years 2012-13 through 2016-17
($ in millions)

Fiscal Year	Annual Required Contribution	Annual OPEB Cost	Actual Contribution [(3)]	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2012-13	$1,085.9[(1)]	$1,038.2	$245.4	24%	$4,787.8
2013-14	868.6[(2)]	890.9	326.9	37	5,351.8
2014-15	905.1[(2)]	929.9	310.7	33	5,971.0
2015-16	1,071.7[(2)]	1,090.7	338.7	31	6,723.1
2016-17	1,119.6[(2)]	1,141.0	342.8	30	7,521.3

(1) Reflects actuarial valuations prepared by Buck Consultants.
(2) Reflects actuarial valuations prepared by Aon Hewitt.
(3) Consists of the District's contributions to the OPEB Trust Fund and pay-as-you-go amounts, except for Fiscal Year 2012-13, during which there was no contribution to the OPEB Trust Fund.

Sources: District's Comprehensive Annual Financial Reports for Fiscal Year 2011-12 through 2015-16; Audited Annual Financial Report for Fiscal Year 2016-17; Fiscal Year 2017-18 District Final Adopted Budget; Fiscal Year 2017-18 First Interim Report; and 2015 Postretirement Valuation.

Table A-18 below sets forth the schedule of OPEB funding progress as of July 1, 2009, July 1, 2011, July 1, 2013 and July 1, 2015.

TABLE A-18

LOS ANGELES UNIFIED SCHOOL DISTRICT
Schedule of OPEB Funding Progress
As of July 1, 2009, July 1, 2011, July 1, 2013 and July 1, 2015
($ in millions)

Actuarial Valuation Date	Actuarial Valuation of Assets	AAL	UAAL	Funded Ratio	Covered Payroll	UAAL as a % of Covered Payroll	Interest Rate
July 1, 2009	$ --	$10,300.0	$10,300.0	0.00%	$4,628.9	223%	5.00%
July 1, 2011	--	11,154.2	11,154.2	0.00	4,600.0[1]	242	5.00
July 1, 2013	--	10,902.0	10,902.0	0.00	4,600.0[1]	237	5.07
July 1, 2015	90.2	13,648.7	13,558.6	0.66	3,700.0[1]	366	4.70

(1) Reflects the District's estimated covered payroll as of the actuarial valuation date.
Source: 2015 Postretirement Valuation.

The District expects its postretirement valuation as of July 1, 2017 to be released by the end of March 2018. Based on preliminary information provided by the District's actuarial consultant, the UAAL of the District's post-retirement health and welfare benefits program increased from $13.56 billion, as of July 1, 2015, to approximately $15 billion, as of July 1, 2017. The increase is primarily attributable to a change in the assumed rate of return, which decreased from 4.7% in 2015 to 3.7% in 2017. The foregoing amounts are preliminary and the actual amounts included in the Actuarial Valuation submitted by the District's actuarial consultant may differ. In the opinion of District management, any further increase in the District's UAAL as described in the 2015 Postretirement Valuation, including as expected by the District in the updated postretirement valuation, will not adversely affect the District's ability to pay debt service on its general obligation bonds, including the Bonds described in the forepart of this Official Statement. These general obligation bonds are payable from voter-approved *ad valorem* property taxes that are levied solely for the payment of the principal of and interest on the District's general obligation bonds and general obligation refunding bonds.

For additional information regarding the District's OPEB, see Appendix B – "Audited Annual Financial Report of the District for the Fiscal Year ended June 30, 2017" attached hereto.

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

GASB Statement No. 45 "Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions" ("GASB 45") established standards for the measurement, recognition and disclosure of postemployment healthcare and certain others forms of postemployment benefits, such as life insurance, when provided separately from a pension plan expense or expenditures and related liabilities in the financial reports of state and local governments. Under GASB 45, governments are required to (i) measure the cost of benefits, and recognize other postemployment benefits expense, on the accrual basis of accounting in periods that approximate employees' years of service; (ii) provide information about the actuarial liabilities for promised benefits associated with past services and whether, or to what extent, those benefits have been funded; and (iii) provide information useful in assessing potential demands on the employer's future cash flows. The District's postemployment health benefits fall under GASB 45 and are reported in accordance therewith.

Risk Management and Litigation

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

Excess property insurance is maintained through a combination of excess policies with an occurrence limit of $1 billion. General liability insurance currently provides $35 million coverage above a $5 million self-insurance retention. Except as set forth below, no settlements exceeded insurance coverage in the last five fiscal years ended June 30, 2017. The District maintains reserves that it believes are adequate to cover losses within the self-insured retention.

Prior to Fiscal Year 2013-14, the District's liability coverage generally included coverage for sexual misconduct and molestation. Liability coverage beginning in Fiscal Year 2013-14 does not include this coverage because the District has determined that it is not available at reasonable rates from any insurance provider. In March 2014, the District Board approved a joint powers authority agreement by and between the District and the Los Angeles Trust Children's Health Inc. to establish the Los Angeles Unified School District Risk Management Authority (the "Risk Management Authority") which became effective July 1, 2014. The Risk Management Authority allows the District to purchase reinsurance for excess liability coverage for incidents such as sexual misconduct and molestation. The Risk Management Authority was capitalized by the District and provides an insurance program for the District and the Los Angeles Trust Children's Health Inc. The Risk Management Authority allows the District to purchase reinsurance for excess liability coverage which is not presently available to self-insured public agencies such as the District. See “District Financial Information – Risk Management and Litigation – Events Regarding Suspended and Former District Employees” herein.

The District believes that the amounts currently reserved for potential liabilities attributable to claims of molestation and sexual misconduct are adequate. See “District Financial Information – Risk Management and Litigation– Events Regarding Suspended and Former District Employees” herein. The District will increase the expenditures projected in its budget and interim financial reports if necessary and only to the extent that the District’s liabilities exceed the amount budgeted for self-insurance or current excess liability coverage. The District expects that such an increase will occur if claims relating to sexual misconduct by former and suspended District employees exceed the amount reserved for settlements and monetary damages to date. See “District Financial Information – Risk Management and Litigation – Events Regarding Suspended and Former District Employees” herein. Such liabilities could decrease the District’s net position as of June 30, 2018 from the amount set forth in the District’s financial statements for Fiscal Year 2016-17. See Appendix B – “Audited Annual Financial Report of the District for the Fiscal Year ended June 30, 2017” attached hereto.

Liabilities for loss and loss adjustment expenses under each of the District’s insurance programs include the accumulation of estimates for losses reported prior to the balance sheet date, estimates of losses incurred but not reported and estimates of expenses for investigating and adjusting reported and unreported losses. Such liabilities are estimates of the future expected settlements and are based upon analysis of historical patterns of the number of incurred claims and their values. The District believes that, given the inherent variability in any such estimates, the aggregate liabilities are within a reasonable range of adequacy. Individual reserves are continually monitored and reviewed, and, as settlements are made or reserves adjusted, differences are reflected in current operations. See Appendix B – “Audited Annual Financial Report of the District for the Fiscal Year ended June 30, 2017” attached hereto.

Workers’ Compensation. The District is self-insured for its Workers’ Compensation Program. A separate fund is used to account for amounts set aside to pay claims incurred and related expenditures under the Workers’ Compensation Program. The amount required to be on deposit in the Workers’ Compensation Fund is established with information from an independent actuary. See “District Financial Information – District Financial Policies – Budget and Finance Policy – Liability Reserves” herein. The District’s most recent actuarial report regarding its workers’ compensation program, the “Actuarial Study of Workers’ Compensation Program” dated May 2, 2017, recommended a minimum funding level between $118.3 million (discounted at 1.5%) and $137.4 million (undiscounted) for Fiscal Year 2017-18. The following Table A-19 sets forth the actuary’s recommended the minimum funding levels for workers’ compensation set forth in the most recent actuarial report covering the period as of December 31, 2016.

TABLE A-19

LOS ANGELES UNIFIED SCHOOL DISTRICT
Recommended Minimum Funding Levels
Workers' Compensation
Fiscal Years 2017-18 through 2019-20
($ in millions)

Fiscal Year	Recommended Minimum Funding Level (Discounted at 1.5%)	Budgeted Expenses for Claims Handling and Administration	Recommended Minimum Funding Level (Undiscounted)
2017-18	$118.292	$19.100	$137.392
2018-19	118.457	19.700	138.157
2019-20	119.362	20.300	139.662

Source: Los Angeles Unified School District Actuarial Study of Workers' Compensation Program as of December 31, 2016.

The following Table A-20 sets forth information on changes in the Workers Compensation Program's liabilities from Fiscal Years 2012-13 through 2016-17. The District uses separate funds to account for amounts set aside to pay claims incurred and related expenditures under the respective insurance programs. See "District Financial Information – District Financial Policies – Budget and Finance Policy – Liability Reserves" herein and Note 10 in the audited financial statements for Fiscal Year 2016-17 set forth in Appendix B – "Audited Annual Financial Report of the District for the Fiscal Year ended June 30, 2017" attached hereto.

TABLE A-20

LOS ANGELES UNIFIED SCHOOL DISTRICT
Workers' Compensation Claims Paid
Fiscal Years 2012-13 through 2016-17
($ in millions)

Fiscal Year	Liability: Beginning of Fiscal Year	Current Year Claims and Changes in Estimates	Claims Paid	Liability: End of Fiscal Year
2012-13	$434.0	$ 89.3	$(102.4)	$420.8
2013-14	420.8	98.6	(97.9)	421.5
2014-15	421.5	162.6	(100.0)	484.1
2015-16	484.1	110.8	(102.5)	492.4
2016-17	492.4	104.4	(101.1)	495.6

Sources: Los Angeles Unified School District Comprehensive Annual Financial Reports for Fiscal Years 2012-13 through 2015-16; Audited Annual Financial Report for Fiscal Year 2016-17.

Pollution Legal Liability Policy. The District purchased through the American International Group's ("AIG") companies a pollution legal liability ("PLL") policy with coverage of $50 million for each incident, with an aggregate of $100 million (coverage period of August 11, 1999 through August 11, 2019). The District filed a lawsuit in Los Angeles County Superior Court in March 2006 against AIG alleging the insurance carrier committed acts of bad faith for failure to honor claims incurred during the PLL policy period. Pursuant to a settlement agreement by and between the District and AIG, AIG is required to pay to the District $78,750,000 from Fiscal Year 2011-12 to Fiscal Year 2021-22, of which approximately $57.5 million has been paid to District as of June 30, 2017.

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

Litigation Regarding District Layoff Procedures. A complaint for injunctive and declaratory relief was filed on February 24, 2010 in the Los Angeles County Superior Court against the District and the State entitled *Reed, et al. v. State of California and the Los Angeles Unified School District, et al* (the "*Reed* litigation"). The plaintiffs, students at three middle schools within the District at the time of the complaint, alleged that the State's and the District's budgetary measures resulted in increased layoffs and use of substitute teachers at the schools named therein that were disproportionate to other schools within the District. The complaint alleged that, as a result of these budgetary measures, the plaintiffs had been deprived of educational equality. Among other relief, the plaintiffs sought declaratory relief that the State and the District had violated their rights under the State Constitution and the State Government Code and injunctive relief prohibiting the defendants from implementing future layoffs of teachers at the schools named therein that were disproportionate to other schools within the District or hindering the ability of the schools to maintain an effective corps of teachers. The District reached an agreement with UTLA and the Partnership for Los Angeles Schools in the *Reed* litigation in April 2014. The District agreed to provide administrative and teacher support to 37 of the District's schools in accordance with a settlement agreement that was formally approved by the Superior Court in fall of 2014. The District has completed the three-year settlement program. The plaintiffs have requested that the District extend the term of the settlement agreement by three years to June 30, 2020. The District voluntarily agreed to provide additional administrative and teacher support to the 37 schools through June 30, 2018 (i.e., the fourth year). No determination has been made with respect to subsequent years.

A complaint for declaratory and injunctive relief was filed on May 14, 2012 against the District and other named parties entitled *Vergara, et al. v. State of California, et al.* (the "*Vergara* Complaint") in the Los Angeles County Superior Court. The plaintiffs alleged, among other things, that the application of Education Code Sections 44929.21(b), 44934, 44938(b)(1), 44938(b)(2), 44944 and 44955 (collectively, the "Challenged Statutes") caused negative impacts on students' education, infringed upon California students' right to education and caused disparate impacts from classroom to classroom and school to school. The District was dismissed from the lawsuit in 2013. The Superior Court subsequently found in favor of the plaintiffs on various counts with respect to the Challenged Statutes but was reversed by the Court of Appeal. In August 2016, the California Supreme Court announced that it declined to review the decision by the Court of Appeal.

A class action complaint and an individual complaint for declaratory and injunctive relief and general and special damages entitled *Rafe Esquith vs. Los Angeles Unified School District, et al.* (collectively, the "*Esquith* Class Complaint") were filed against the District and certain other parties on October 2015 in the Los Angeles County Superior Court. The *Esquith* Class Complaint alleges that the plaintiff and members of the class were denied due process under the United States Constitution and State law when the District accused them of misconduct and, during the resulting investigation, removed such personnel from classrooms and assigned them to off-campus administration buildings. The petitioners claim, among other things, that the District deprived them of their right to practice their profession and deprived them of post-retirement benefits, and that the District's actions constituted age discrimination, whistleblower retaliation and public policy wrongful discharge. The petitioners seek injunctive relief and general and special damages in the aggregate amount of $1 billion. To date, the public policy wrongful discharge claims and the claims under 42 U.S.C. §1983 have been dismissed. The case is currently in Superior Court. The *Esquith* matter was settled in 2017 for $150,000 and the case has been dismissed.

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

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

Litigation regarding Proposition 39 Charter School Facilities. In May 2010, the California Charter Schools Association ("CCSA"), on behalf of its member charter schools, filed a complaint against the District, the District Board and former Superintendent Ramon Cortines in his official capacity, entitled *California Charter Schools Association vs. Los Angeles Unified School District, et. al*. (the "*CCSA* Complaint"). The *CCSA* Complaint alleged, among other things, that the District failed to comply with a

2008 settlement agreement between the District and CCSA (the "Settlement Agreement") relating to the District's obligations under Proposition 39, which requires the District to make certain facilities available to charter schools operating within the District's jurisdiction. The District prevailed on claims relating to the 2010-11 and 2011-12 school year, as set forth in the original *CCSA* Complaint. However, subsequent to the expiration of the Settlement Agreement, CCSA amended its complaint to seek a judicial declaration that the District did not make its facilities available with respect to the 2016-17 school year in accordance with Proposition 39. On February 27, 2017, the Superior Court denied CCSA's motion for summary adjudication of its amended declaratory relief cause of action. The CCSA has appealed the determination. The District cannot predict the outcome of or remedy imposed by any court with respect to the amended CCSA Complaint. However, the District does not expect any decision to adversely affect the ability of the District to pay the principal of and interest on the Bonds as and when due.

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

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

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

In response to CCSA's complaint, the District filed a demurrer challenging the legal sufficiency of CCSA's claims. On October 18, 2016, the Los Angeles Superior Court sustained the District's demurrer to the CCSA Measure Q Complaint. The demurrer was sustained with leave to amend. On December 19, 2016, CCSA filed an amended petition and complaint. On January 20, 2017, the District filed a demurrer to the amended petition and complaint. On April 18, 2017, the Los Angeles Superior Court sustained the District's demurrer without leave to amend. In December 2017, CCSA filed an appeal of the Superior Court decision. Briefing of the matter is expected to be completed in April 2018 and, depending on court schedules, oral arguments will begin four to eight months thereafter. The District cannot predict the outcome of the CCSA appeal. However, the District does not expect any decision to adversely affect the ability of the District to pay the principal of and interest on the Bonds as and when due.

Litigation regarding the Local Control Funding Formula. In July 2015, the District was named as a respondent in the *Frias* Complaint, which claimed, among other things, that special education services may not be considered services for Unduplicated Pupils and, by counting $450 million in general fund expenditures for special education services as part of funding for Unduplicated Pupils in Fiscal Year 2013-14, the District had violated the Education Code and LCFF regulations and caused errors in the calculation of MPP, which affects subsequent funding for Unduplicated Pupils. The CDE reviewed various aspects of the *Frias* Complaint and, in May 2016, issued a report and decision letter that directed the District to recalculate certain aspects of the LCFF and related LCAP. In September 2017, the District, the CDE and the petitioners in *Frias* executed the Unduplicated Pupils Funding Settlement Agreement, which conclusively settled all claims as to the parties. See "District Financial Information – District Budget – Expenditures for Unduplicated Pupils" herein for a description of the Unduplicated Pupils Funding Settlement Agreement. As a result of the settlement, the issues concerning the CDE were also resolved.

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

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

The District has received and could receive additional complaints seeking declaratory, injunctive, and monetary relief relating to allegations of misconduct by current and former employees. The District's potential liabilities could exceed the amounts which are currently recognized and the probable amount of contingent liabilities for which the District has set aside reserves based upon an independent third-party actuarial analysis. The Fiscal Year 2017-18 First Interim Report reflects approximately $52.9 million in legal costs and potential settlements. However, the District cannot predict whether any plaintiffs in any pending complaints will prevail, and if so, how any final court decision or settlement agreement with respect to any lawsuit may affect the financial status, policies or operations of the District, as the nature of any court's remedy and the responses thereto are unknown at the present time. The costs of any final court decision or settlement agreement could be substantial and materially greater than the amounts proposed under the pending settlement agreements. However, the District does not expect any decision or change in law to adversely affect the ability of the District to pay the principal of and interest on the Bonds as and when due.

District Debt

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

Pursuant to Section 1(b)(3) of Article XIIIA of the State Constitution, Chapters 1 and 1.5 of Part 10 of Division 1 of Title 1 of the State Education Code, as amended, and other applicable law (collectively, the "Act"), the District Board has appointed a Citizens' Bond Oversight Committee. The Citizen's Bond Oversight Committee is composed of 17 members representing numerous community groups and operates to inform the public concerning the spending of Measure K, Measure R, Measure Y and Measure Q Authorization bond funds authorized by the Act. The Citizen's Bond Oversight Committee regularly reviews the potential bond projects and budgets and provides non-binding advice to the District Board on how to allocate and reallocate scarce bond proceeds in order to ensure the completion of viable projects and to avoid non-completion of projects once commenced. The Citizens' Bond Oversight Committee also informs the public concerning the spending of funds attributable to the Proposition BB Authorization, although Proposition BB was approved under statutes other than the Act. The Citizens' Bond Oversight Committee meets monthly in order to review all matters including, among other things, changes in budget, scope and schedules that relate to the District's general obligation bonds and the projects proposed to be funded therefrom. In addition, the Citizens' Bond Oversight Committee makes recommendations to the District Board regarding such matters. See "California Constitutional and Statutory Provisions relating to *Ad Valorem* Property Taxes, District Revenues and Appropriations—Proposition 39" herein. The District's Office of the Inspector General conducts audits on a selected number of the construction management firms on an annual basis to ensure that funds from the New School Construction Program are spent in compliance with the Act and the District's policies relating thereto. The District's outside auditor, Simpson & Simpson, currently prepares the required bond audits regarding the expenditures of general obligation bond proceeds.

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

LOS ANGELES UNIFIED SCHOOL DISTRICT
Citizens' Bond Oversight Committee
(As of February 1, 2018)

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

The following Table A-21, Table A-22, Table A-23, Table A-24 and Table A-25 set forth the outstanding series of general obligation bonds and the amount outstanding as of February 1, 2018 under the Proposition BB, Measure K, Measure R, Measure Y and Measure Q Authorizations, respectively.

TABLE A-21

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

Bond Issue	Aggregate Principal Amount	Outstanding Amount as of February 1, 2018	Date of Issue
2005 Refunding Bonds Series A-1[(1)]	$346,750	$ 38,035	July 20, 2005
2005 Refunding Bonds Series A-2[(1)]	120,925	14,790	July 20, 2005
2009 Refunding Bonds, Series A[(1)]	51,090	23,635	October 15, 2009
2011 Refunding Bonds, Series A-1[(1)]	206,735	126,360	November 1, 2011
2014 Refunding Bonds, Series A[(1)]	196,850	109,940	June 26, 2014
2015 Refunding Bonds, Series A[(1)]	326,045	318,085	May 28, 2015
2016 Refunding Bonds, Series A[(1)]	202,420	196,505	April 5, 2016
2017 Refunding Bonds, Series A[(1)]	139,265	136,395	May 25, 2017
TOTAL	$1,590,080	$963,745	

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

Source: Los Angeles Unified School District.

TABLE A-22

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

Bond Issue	Aggregate Principal Amount	Outstanding Amount as of February 1, 2018	Date of Issue
Series D Bonds (2009)	$250,000	$193,480	February 19, 2009
Series KRY Bonds (2009) (Federally Taxable Build America Bonds)	200,000	200,000	October 15, 2009
Series KRY Bonds (2010) (Tax-Exempt)	149,140	145,250	March 4, 2010
2011 Refunding Bonds, Series A-2[(1)]	201,070	143,980	November 1, 2011
2012 Refunding Bonds, Series A[(1)]	59,190	46,370	May 8, 2012
2014 Refunding Bonds, Series B[(1)]	323,170	283,135	June 26, 2014
2016 Refunding Bonds, Series A[(1)]	226,040	198,475	April 5, 2016
2016 Refunding Bonds, Series B[(1)]	227,535	227,535	September 15, 2016
2017 Refunding Bonds, Series A[(1)]	941,565	921,240	May 25, 2017
	$2,577,710	$2,359,465	

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

Source: Los Angeles Unified School District.

TABLE A-23

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

Bond Issue	Aggregate Principal Amount	Outstanding Amount as of February 1, 2018	Date of Issue
Series I Bonds (2009)	$550,000	$429,485	February 19, 2009
Series KRY Bonds (2009) (Federally Taxable Build America Bonds)	363,005	363,005	October 15, 2009
Series KRY Bonds (2009) (Tax-Exempt)	36,995	16,525	October 15, 2009
Series RY Bonds (2010) (Federally Taxable Build America Bonds)	477,630	477,630	March 4, 2010
Series KRY Bonds (2010) (Tax-Exempt)	157,165	157,165	March 4, 2010
2012 Refunding Bonds, Series A[(1)]	95,840	79,165	May 8, 2012
2014 Refunding Bonds, Series C[(1)]	948,795	909,360	June 26, 2014
2016 Refunding Bonds, Series A[(1)]	56,475	50,305	April 5, 2016
2016 Refunding Bonds, Series B[(1)]	176,455	176,455	September 15, 2016
TOTAL	$2,862,360	$2,659,095	

(1) Refunding bonds issued to refund general obligation bonds, which were issued pursuant to the Measure R Authorization, are not counted against the Measure R Authorization of $3.87 billion.

Source: Los Angeles Unified School District.

TABLE A-24

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

Bond Issue	Aggregate Principal Amount	Outstanding Amount as of February 1, 2018	Date of Issue
Series F Bonds (2009)	$150,000	$116,315	February 19, 2009
Series KRY Bonds (2009) (Federally Taxable Build America Bonds)	806,795	806,795	October 15, 2009
Series KRY Bonds (2009) (Tax-Exempt)	168,790	7,265	October 15, 2009
Series H Bonds (2009) (Qualified School Construction Bonds)	318,800	318,800	October 15, 2009
Series KRY Bonds (2010) (Tax-Exempt)	172,270	130,450	March 4, 2010
Series RY Bonds (2010) (Federally Taxable Build America Bonds)	772,955	772,955	March 4, 2010
Series KY Bond (2010) (Tax-Exempt)	158,635	1,510	May 6, 2010
Series J Bonds (2010) (Qualified School Construction Bonds)	290,195	290,195	May 6, 2010
2014 Refunding Bonds, Series D(1)	153,385	153,385	June 26, 2014
2014 Refunding Bonds, Series K(1)	35,465	8,035	August 19, 2014
2016 Refunding Bonds, Series A(1)	92,465	83,320	April 5, 2016
2016 Refunding Bonds, Series B(1)	96,865	96,865	September 15, 2016
TOTAL	$3,216,620	$2,785,890	

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

TABLE A-25

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

Bond Issue	Aggregate Principal Amount	Outstanding Amount as of February 1, 2018	Date of Issue
Series A Bonds (2016)	$648,955	$633,510	April 5, 2016
TOTAL	$648,955	$633,510	

Source: Los Angeles Unified School District.

Certificates of Participation. As of February 1, 2018, the District had outstanding lease obligations issued in the form of COPs in the aggregate principal amount of approximately $195,975,000. The District estimates that the aggregate payment of principal and interest evidenced by COPs will be approximately $262,587,000 until the final maturity thereof. This amount does not reflect the receipt of the direct cash subsidy payments from the United States Department of the Treasury made in connection with the District's Certificates of Participation 2010 Series B-1 (Federally Taxable Direct Pay Build America Bonds) (Capital Projects I). See "– Limitations Related to Receipt of Federal Funds" herein. The District's lease obligations are not subject to acceleration in the event of a default thereof.

The following Table A-26 sets forth the District's lease obligations paid from the District General Fund with respect to its outstanding COPs as of February 1, 2018.

TABLE A-26

LOS ANGELES UNIFIED SCHOOL DISTRICT
Certificates of Participation Lease Obligations Debt Service Schedule[1]
(as of February 1, 2018)
($ in thousands)

Fiscal Year Ending (June 30)	Paid From General Fund[2][3]
2018	$ 4,520
2019	25,043
2020	24,955
2021	24,864
2022	17,532
2023	17,429
2024	16,668
2025	16,048
2026	16,218
2027	16,163
2028	16,112
2029	16,037
2030	14,147
2031	14,073
2032	14,001
2033	2,277
2034	2,222
2035	2,169
2036	2,108
Total[4]	$262,587

(1) The lease payments reflect the net obligations of the District due to the defeasance of certain COPs.
(2) The District expects to pay all or a portion of the final debt service payments evidenced by such series of COPs from funds on deposit in the related debt service reserve fund.
(3) Does not assume receipt of a direct cash subsidy payment from the United States Department of Treasury. See "District Financial Information – District Debt – Limitations Related to Receipt of Federal Funds" herein.
(4) Total may not equal sum of component parts due to rounding.

Source: Los Angeles Unified School District.

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

Pursuant to the Bipartisan Budget Act of 2013 which was signed into law in December 2013, the District's Direct Pay Bonds are subject to the full amount of sequestration budget cuts and will have their planned federal payments reduced until the federal Fiscal Year ending September 30, 2023. The federal subsidy for the Direct Pay Bonds for the federal Fiscal Year ending September 30, 2017 was reduced by 6.9% and will be reduced by 6.6% for the federal Fiscal Year ended September 30, 2018. During the federal Fiscal Year ending September 30, 2018, the District expects that the sequester will result in a reduction in the aggregate amount of approximately $4.9 million with respect to the refundable credits for the Series KRY Bonds (2009), Series RY Bonds (2010) and Series J Bonds and a reduction in the amount of approximately $41,000 with respect to the refundable credit for the 2010 Series B-1 Certificates. The District's Series KRY Bonds (2009), Series RY Bonds (2010), and Series J Bonds are payable from and secured by *ad valorem* property taxes which are to be assessed in amounts sufficient to pay principal of and interest on the Series KRY Bonds (2009), Series RY Bonds (2010), and Series J Bonds when due. The County has levied and will continue to levy *ad valorem* property taxes in an amount sufficient to pay principal of and interest on the Series KRY Bonds (2009), Series RY Bonds (2010), and Series J Bonds when due.

Future Financings

General Obligation Bonds. The District may not issue general obligation bonds without voter approval and may not issue general obligation bonds in an amount greater than its bonding capacity. The District may issue additional general obligation bonds or general obligation refunding bonds in the future depending upon project needs and market conditions. The District may not issue general obligation bonds under the Measure R Authorization, Measure Y Authorization or Measure Q Authorization, as applicable, if the tax rate levied to meet the debt service requirements under the related Authorization for general obligation bonds is projected to exceed $60 per year per $100,000 of taxable property in accordance with Article XIIIA of the State Constitution. See "California Constitutional and Statutory Provisions Relating to *Ad Valorem* Property Taxes, District Revenues and Appropriations – Article XIIIA" and "– Proposition 39" herein.

The District has approximately $159,990,000 authorized and unissued general obligation bond authorization remaining under the Measure R Authorization. In addition, the District has approximately $252,150,000 authorized and unissued general obligation bond authorization remaining under the Measure Y Authorization. The District has approximately $5,131,045,000 authorized and unissued general obligation bond authorization remaining under the Measure Q Authorization, in each case after the issuance of the Measure Y general obligation bonds and the Measure Q general obligation bonds described in the forepart of this Official Statement.

Pursuant to the Education Code, the District's bonding capacity for general obligation bonds may not exceed 2.5% of taxable property valuation in the District as shown by the last equalized assessment roll of the County. Pursuant to Sections 15106 of the Education Code, the District's bonding capacity for general obligation bonds may not exceed 2.5% of taxable property value in the District as shown by the last equalized assessment of the County. The taxable property valuation in the District for Fiscal Year 2017-18 is approximately $644.5 billion, which results in a total current bonding capacity of approximately $16.1 billion, prior to the issuance of the Bonds. The District's available capacity for the issuance of new general obligation bonds is approximately $5.4 billion (after taking into account the issuance of the 2018 Bonds). The Fiscal Year 2017-18 assessed valuation of property within the District's boundaries of approximately $644.5 billion reflects an increase of 6.36% from Fiscal Year 2016-17. See "Security and Source of Payment for the Bonds – Assessed Valuation of Property within the District" in the forepart of this Official Statement and "California Constitutional and Statutory Provisions relating to *Ad Valorem* Property Taxes, District Revenues and Appropriations – Article XIIIA of the State Constitution" herein.

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

Lease Revenue Financings. The District may finance capital projects through the execution and delivery of certificates of participation or other obligations secured by general fund lease payments from time to time, but it does not presently expect to issue any COPs during Fiscal Year 2017-18. See "District Financial Information – District Financial Policies – Debt Management Policy" herein.

Tax and Revenue Anticipation Notes. The District does not expect to issue tax and revenue anticipation notes in Fiscal Years 2017-18 or 2018-19. The District may issue tax and revenue anticipation notes in future fiscal years as and when necessary to supplement cashflow.

STATE BUDGET

General

The District's operating income consists primarily of two components, which include the State Aid portion funded from the State General Fund and a locally generated portion derived from the District's share of the general 1% *ad valorem* property tax levy authorized by the State Constitution. In addition, the District receives a portion of its operating income from the State's Education Protection Account established by Proposition 30. See "California Constitutional and Statutory Provisions Relating to *Ad Valorem* Property Taxes, District Revenues and Appropriations – Proposition 30" herein. School districts, such as the District, may be eligible for other special categorical funding, including funding for certain State and federal programs. Currently, the District receives approximately 89% of District General Fund revenues from funds of or controlled by the State. As a result, decreases in State revenues, or in State legislative appropriations made to fund education, may significantly affect District operations. See

"State Funding of School Districts – Local Control Funding Formula" and "District Financial Information – District Budget" herein.

The following description of the State's budget has been obtained from publicly available information which the District believes to be reliable; however, none of the District, its counsel (including Disclosure Counsel), the Underwriters or the Municipal Advisors guarantees the accuracy or completeness of this information and have not independently verified such information. Additional information regarding State budgets is available at various State-maintained websites, including www.dof.ca.gov. These websites are not incorporated herein by reference and none of the District, its counsel (including Disclosure Counsel), the Underwriters or the Municipal Advisors make any representation as to the accuracy of the information provided therein.

The State Budget Process

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

Under State law, the annual proposed Governor's Budget cannot provide for projected expenditures in excess of projected revenues and balances available from prior fiscal years. Following the submission of the Governor's Budget, the State Legislature takes up the proposal. Under the State Constitution, money may be drawn from the State Treasury only through an appropriation made by law. The primary source of the annual expenditure authorizations is the Budget Act, as approved by the State Legislature and signed by the Governor. The Governor may reduce or eliminate specific line items in the Budget Act or any other appropriations bill without vetoing the entire bill. Such individual line-item vetoes are subject to override by a two-thirds majority vote of each House of the State Legislature. Appropriations also may be included in legislation other than the Budget Act. Bills containing appropriations (except for K-14 education) must be approved by a two-thirds majority vote in each House of the State Legislature and be signed by the Governor. Bills containing K-14 education appropriations require only a simple majority vote. Continuing appropriations, available without regard to fiscal year, may also be provided by statute or the State Constitution. Funds necessary to meet an appropriation need not be in the State Treasury at the time such appropriation is enacted; revenues may be appropriated in anticipation of their receipt. However, delays in the adoption of a final State budget in any fiscal year may affect payments of State funds during such budget impasse. See "– State Funding of Schools Without a State Budget" herein for a description of payments of appropriations during a budget impasse.

State Budget Act

2017-18 State Budget. The Governor signed the Fiscal Year 2017-18 State Budget (the "2017-18 State Budget") on June 27, 2017. The 2017-18 State Budget sets forth a balanced budget for fiscal year 2017-18. The 2017-18 State Budget estimates that total resources available in fiscal year 2016-17 total approximately $123.04 billion (including a prior year balance of $4.50 billion) and total expenditures in fiscal year 2016-17 total approximately $121.42 billion. The 2017-18 State Budget projects total resources available for fiscal year 2017-18 of $127.50 billion, inclusive of revenues and transfers of $125.88 billion and a prior year balance of $1.62 billion. The 2017-18 State Budget projects total expenditures of $125.10 billion, inclusive of non-Proposition 98 expenditures of $72.47 billion and Proposition 98 expenditures of $52.63 billion. The 2017-18 State Budget proposes to allocate $980 million of the General Fund's projected fund balance to the Reserve for Liquidation of Encumbrances and $1.43 billion of such fund balance to the State's Special Fund for Economic Uncertainties. In addition, the 2017-18 State Budget estimates the Rainy-Day Fund will have a fund balance of $8.49 billion.

Certain budgeted adjustments for K-12 education set forth in the 2017-18 State Budget include the following:

- Local Control Funding Formula. The 2017-18 State Budget includes an increase of almost $1.4 billion in Proposition 98 General Fund resources to continue the transition to full implementation of the Local Control Funding Formula. The increase will bring the Local Control Funding Formula to 97% of full implementation.

- One-Time Discretionary Grants. The 2017-18 State Budget includes an increase of $877 million in one-time Proposition 98 General Fund resources for school districts, charter schools and county offices of education to use at local discretion. This funding will support investments such as content standards implementation, technology, professional development, induction programs for beginning teachers and deferred maintenance.

- After School and Education Safety ("ASES") Program. The 2017-18 State Budget includes an increase of $50 million in Proposition 98 General Fund resources to increase provider reimbursement rates for the ASES program, bringing total spending on the program to $600 million under Proposition 98.

- Teacher Workforce. The 2017-18 State Budget includes a combined increase of $41.3 million in Proposition 98 General Fund resources (consisting of $30 million one-time Proposition 98 General Fund resources and $11.3 million one-time federal Title II funds) to fund several programs aimed at recruiting and developing additional teachers and school leaders, with particular emphasis on key shortage areas such as special education, math, science, and bilingual education. The specific investments include: an increase of $11.3 million in one-time federal Title II funds to the California Educator Development Program, an increase of $25 million in one-time Proposition 98 General Fund resources to the Classified School Employees Credentialing Program, and an increase of $5 million in one-time Proposition 98 General Fund resources to the Bilingual Professional Development Program.

- Charter School Facility Grant Program. The 2017-18 State Budget has been adjusted to increase the per student funding rate to $1,117 for Fiscal Year 2017-18 and provides an ongoing cost-of-living adjustment for the program moving forward.

- County Office of Education Accountability Assistance. The 2017-18 State Budget includes an increase of $7 million in Proposition 98 General Fund resources on an ongoing basis to support county office Local Control and Accountability Plan (LCAP) review and technical assistance workload. Specifically, this funding will be distributed proportionally to 24 county offices currently funded at their LCFF target level on a per district basis with no county receiving less than $80,000. The funding will be adjusted annually for cost-of-living. The county superintendents will be required to prepare summaries of how the county office of education will support school districts and schools within the count and work with the California Collaborative for Education Excellence, the State Department of Education and other county offices of education.

- K-12 Mandate Block Grant. The 2017-18 State Budget includes an increase of $3.5 million in Proposition 98 General Fund resources to reflect the addition of a cost-of-living adjustment for this program. The 2017-18 State Budget also adds two additional mandated programs to the block grant for 2017-18, the California Assessment of Student Performance and Progress program and the Training for School Employee Mandated Reporters program.

- California Equity Performance and Improvement Program. The 2017-18 State Budget includes an increase of $2.5 million in one-time Proposition 98 General Fund resources to support and build capacity within local educational agencies and the State Department of Education to promote equity in California public schools.

- Refugee Student Support. The 2017-18 State Budget includes an increase of $10 million in one-time Proposition 98 General Fund resources to provide additional services for refugee students transitioning to a new learning environment.

- California-Grown Fresh School Meals Grants. The 2017-18 State Budget includes an increase of $1.5 million in one-time Proposition 98 General Fund resources to incentivize the purchase of California-grown food by schools and expand the number of freshly prepared school meals offered that use California-grown ingredients.

- K-12 School Facilities Program Accountability. The 2017-18 State Budget requires that projects funded under the School Facilities Program be subject to expenditure audits in the annual K-12 Audit Guide utilizing the structure of the Education Audit Appeals Panel process. To help facilitate compliance with this requirement, the 2017-18 State Budget authorizes participating local education agencies to repay any audit findings with local funds.

- District of Choice Program Extension. The 2017-18 State Budget extends the District of Choice program, due to sunset in 2018, by six years and adds various oversight and accountability requirements for participating districts.

The complete 2017-18 State Budget is available from the California Department of Finance website at **www.dof.ca.gov.** The District can take no responsibility for the continued accuracy of this internet address or for the accuracy, completeness or timeliness of information posted therein, and such information is not incorporated herein by such reference.

2018-19 Proposed State Budget. The Governor released his fiscal year Proposed 2018-19 State Budget (the "Proposed 2018-19 State Budget") on January 10, 2018. The Proposed 2018-19 State Budget sets forth a balanced budget for fiscal year 2018-19. The Proposed 2018-19 State Budget estimates that total resources available in fiscal year 2017-18 total approximately $131.86 billion (including a prior year balance of $4.61 billion) and total expenditures in fiscal year 2017-18 total approximately $126.51 billion. The Proposed 2018-19 State Budget projects total resources available for fiscal year 2018-19 of $135.14 billion, inclusive of revenues and transfers of $129.79 billion and a prior year balance of $5.35 billion. The Proposed 2018-19 State Budget projects total expenditures of $131.69 billion, inclusive of non-Proposition 98 expenditures of $77.12 billion and Proposition 98 expenditures of $54.56 billion. The Proposed 2018-19 State Budget proposes to allocate $1.17 billion of the General Fund's projected fund balance to the Reserve for Liquidation of Encumbrances and $2.29 billion of such fund balance to the State's Special Fund for Economic Uncertainties. In addition, the Proposed 2018-19 State Budget estimates the Rainy Day Fund will have a fund balance of $13.46 billion, bringing it to 100% of its target balance.

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

- Local Control Funding Formula. The Proposed 2018-19 State Budget includes an increase of $3 billion in Proposition 98 General Fund resources for full implementation of the LCFF.

- One-Time Discretionary Grants. The Proposed 2018-19 State Budget includes an increase of $1.8 billion in one-time Proposition 98 General Fund resources for school districts, charter schools and county offices of education to use at local discretion. This funding will support investments such as content standards implementation, technology, professional development, induction programs for beginning teachers and deferred maintenance.

- K-12 Component of the Strong Workforce Program. The Proposed 2018-19 State Budget includes an increase of $212 million Proposition 98 General Fund resources for K-12 Career Technical Education ("CTE") programs administered through the community college Strong Workforce Program in consultation with the Department of Education.

- Cost-of-Living Adjustments. The Proposed 2018-19 State Budget includes an increase of $133.5 million Proposition 98 General Fund resources to support a 2.51% cost-of-living adjustment for categorical programs that remain outside of the LCFF, including Special Education, Child Nutrition, Foster Youth, American Indian Education Centers, and the American Indian Early Childhood Education Program. Cost-of-living adjustments for school districts and charter schools are provided within the increases for school district LCFF implementation noted above.

- Special Education. The Proposed 2018-19 State Budget includes an increase of $125 million Proposition 98 General Fund resources and $42.2 million federal Temporary Assistance for Needy Families ("TANF") funds on a one-time basis for competitive grants to expand inclusive care and education settings for 0-5 year olds and improve school readiness and long-term academic outcomes for low-income children and children with exceptional needs. Additionally, the Proposed 2018-19 State Budget includes an increase of $10 million in Proposition 98 General Fund resources for special education local plan areas to support county offices of education in providing technical assistant to local educational agencies through the state system of support. The Proposed 2018-19 State Budget also includes a decrease of $10.2 million Proposition 98 General Fund resources to reflect a projected decrease in special education average daily attendance.

- Local Property Tax Adjustments. The Proposed 2018-19 State Budget includes a decrease of $514 million Proposition 98 General Fund resources for school districts and county offices of education in 2017-18 as a result of higher offsetting property tax revenues, and a decrease of $1.1 billion Proposition 98 General Fund resources for school districts and county offices of education in 2018-19 as a result of increased offsetting property taxes.

- School District Average Daily Attendance. The Proposed 2018-19 State Budget includes a decrease of $183.1 million in funding in 2017-18 for school districts as a result of a decrease in projected average daily attendance from the 2017-18 State Budget, and a decrease of $135.5 million in funding in 2018-19 for school districts as a result of further projected decline in average daily attendance for 2018-19.

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

Changes in State Budget. The final State Budget Act for Fiscal Year 2018-19, which requires approval by a majority vote of each house of the State Legislature, may differ substantially from the Governor's budget proposal. Accordingly, the District cannot provide any assurances that there will not be any changes in the final State Budget Act for Fiscal Year 2018-19 from the 2018-19 Proposed State Budget. Additionally, the District cannot predict the impact that the final State Budget Act for Fiscal Year 2018-19, or subsequent budgets, will have on its finances and operations. The final State Budget Act for Fiscal Year 2018-19 State budget may be affected by national and State economic conditions and other factors which the District cannot predict.

Future Budgets and Budgetary Actions. The District cannot predict what future actions will be taken by the State Legislature and the Governor to address changing State revenues and expenditures or the impact such actions will have on State revenues available in the current or future years for education. The State budget will be affected by national and State economic conditions and other factors beyond the District's ability to predict or control. Certain actions could result in a significant shortfall of revenue and cash, and could impair the State's ability to fund schools during Fiscal Year 2017-18 and in future fiscal years. Certain factors, like an economic recession, could result in State budget shortfalls in any fiscal year and could have a material adverse financial impact on the District.

Additional Information. Information about the State budget and State spending for education is regularly available at various State-maintained websites. Text of the State budget may be found at the website of the Department of Finance, www.dof.ca.gov, under the heading "California Budget." Various analyses of the budget may be found at the website of the LAO at www.lao.ca.gov. In addition, various State official statements, many of which contain a summary of the current and past State budgets and the impact of those budgets on school districts in the State, may be found via the website of the State

Treasurer, www.treasurer.ca.gov. The information presented in these websites is not incorporated by reference in this Official Statement.

Limitations on School District Reserves

Unless a school district is granted an exemption by its county superintendent of schools, amounts in its reserves may not exceed the limitations set forth in the Education Code once certain conditions precedent are met. Pursuant to Section 42127.01 of the Education Code, in a fiscal year immediately after a fiscal year in which the amount of moneys in the Public School System Stabilization Account is equal to or exceeds 3% of the combined total of State General Fund revenues appropriated for school districts and allocated local proceeds of taxes for that fiscal year, a school district budget that is adopted or revised shall not contain a combined assigned or unassigned ending general fund balance that is in excess of 10% of those funds. A county superintendent of schools may grant a school district under its jurisdiction an exemption from the reserves limitation for up to two consecutive fiscal years within a three-year period if the school district provides documentation indicating that extraordinary fiscal circumstances, including, but not limited to, multiyear infrastructure or technology projects, substantiate the need for a combined assigned or unassigned ending general fund balance that is in excess of the reserves limitation. The limitation applies once the Superintendent of Public Instruction notifies school districts and county offices of education that the conditions precedent are met. The Superintendent of Public Instruction is also required to notify school districts and county offices of education when those conditions no longer exist.

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

State Funding of Schools Without a State Budget

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

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

Constitutionally Required Funding of Education

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

Article XIIIA of the State Constitution

On June 6, 1978, California voters approved Proposition 13 ("Proposition 13"), which added Article XIIIA to the State Constitution ("Article XIIIA"). On June 3, 1986, California voters approved Proposition 46 ("Proposition 46") which amended Article XIIIA to permit local governments and school districts to increase the *ad valorem* property tax rate above 1% if two-thirds of those voting in a local election approve the issuance of such bonds and the proceeds of such bonds are used to acquire or improve real property. See "Security and Source of Payment for the Bonds – California Constitutional and Statutory Provisions Relating to *Ad Valorem* Property Taxes – Article XIIIA of the California Constitution" in the forepart of this Official Statement.

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

Legislation Implementing Article XIIIA

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

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

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

Article XIIIB of the State Constitution

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

The District Board adopted the annual appropriation limit for Fiscal Year 2017-18 of approximately $4.66 billion. The limitation applies only to proceeds of taxes and therefore does not apply to service fees and charges, investment earnings on non-proceeds of taxes, fines, and revenue from the sale of property and taxes received from the State and federal governments that are tied to special programs. For Fiscal Year 2016-17, the appropriations subject to limitation totaled approximately $4.56 billion and were approximately $105.8 million below the Article XIIIB limit for Fiscal Year 2017-18.

Article XIIIC and Article XIIID of the State Constitution

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

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

On November 2, 2010, Proposition 26 was approved by State voters, which amended Article XIIIC to expand the definition of "tax" to include "any levy, charge, or exaction of any kind imposed by a local government" except the following: (1) a charge imposed for a specific benefit conferred or privilege granted directly to the payor that is not provided to those not charged, and which does not exceed the reasonable costs to the local government of conferring the benefit or granting the privilege; (2) a charge imposed for a specific government service or product provided directly to the payor that is not provided to those not charged, and which does not exceed the reasonable costs to the local government of providing the service or product; (3) a charge imposed for the reasonable regulatory costs to a local government for issuing licenses and permits, performing investigations, inspections, and audits, enforcing agricultural marketing orders, and the administrative enforcement and adjudication thereof; (4) a charge imposed for entrance to or use of local government property, or the purchase, rental, or lease of local government property; (5) a fine, penalty, or other monetary charge imposed by the judicial branch of government or a local government, as a result of a violation of law; (6) a charge imposed as a condition of property development; and (7) assessments and property-related fees imposed in accordance with the provisions of

Article XIIID. Proposition 26 provides that the local government bears the burden of proving by a preponderance of the evidence that a levy, charge, or other exaction is not a tax, that the amount is no more than necessary to cover the reasonable costs of the governmental activity, and that the manner in which those costs are allocated to a payor bear a fair or reasonable relationship to the payor's burdens on, or benefits received from, the governmental activity.

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

Proposition 98

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

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

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

The Fiscal Year 2017-18 State Budget projects Proposition 98 expenditures for Fiscal Year 2017-18 of approximately $74.5 billion, which reflects an increase of approximately $2.6 billion compared to the projected Proposition 98 expenditures for Fiscal Year 2016-17. For further information concerning the impact of State Budgets on Proposition 98 funding, see "State Budget – State Budget Act – 2017-18 State Budget" herein.

Proposition 39

Proposition 39, which was approved by California voters in November 2000 ("Proposition 39"), provides an alternative method for passage of school facilities bond measures by lowering the constitutional voting requirement from two-thirds to 55% of voters and allows property taxes to exceed the current 1% limit in order to repay such bonds. The lower 55% vote requirement would apply only to bond issues to be used for construction, rehabilitation, or equipping of school facilities or the acquisition of real property for school facilities. The State Legislature enacted additional legislation which placed certain limitations on this lowered threshold, requiring that (i) two-thirds of the governing board of a school district approve placing a bond issue on the ballot, (ii) the bond proposal be included on the ballot of a Statewide or primary election, a regularly scheduled local election, or a Statewide special election (rather than a school district election held at any time during the year), (iii) the tax rate levied as a result of any single election not exceed $25 for a community college district, $60 for a unified school district, or $30 for an elementary school or high school district per $100,000 of taxable property value, and (iv) the governing board of the school district appoint a citizen's oversight committee to inform the public concerning the spending of the bond proceeds. In addition, the school board of the applicable district is required to perform an annual, independent financial and performance audit until all bond funds have been spent to ensure that the funds have been used only for the projects listed in the measure. The District's Measure K, Measure R, Measure Y and Measure Q bond programs were authorized pursuant to Proposition 39. See "District Financial Information – District Debt – General Obligation Bonds" herein. The District is in full compliance with all Proposition 39 requirements.

Proposition 1A

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

Proposition 22

Proposition 22, which was approved by California voters in November 2010, prohibits the State, even during a period of severe fiscal hardship, from delaying the distribution of tax revenues for transportation, redevelopment, or local government projects and services and prohibits fuel tax revenues from being loaned for cash-flow or budget balancing purposes to the State General Fund or any other State fund. Due to the prohibition with respect to State's ability to take, reallocate, and borrow money raised by local governments for local purposes, Proposition 22 supersedes certain provisions of Proposition 1A of 2004. See "– Proposition 1A" herein. In addition, Proposition 22 generally eliminated the State's authority to temporarily shift property taxes from cities, counties, and special districts to schools, temporarily increased school and community college district's share of property tax revenues, prohibited the State from borrowing or redirecting redevelopment property tax revenues or requiring increased pass-through payments thereof, and prohibited the State from reallocating vehicle license fee revenues to pay for State-imposed mandates. In addition, Proposition 22 requires a two-thirds vote of each house of the State Legislature and a public hearing process to be conducted in order to change the amount of fuel excise tax revenues shared with cities and counties. The LAO stated that Proposition 22 would prohibit the State from enacting new laws that require redevelopment agencies to shift funds to schools or other agencies. However, the California Supreme Court, in *California Redevelopment Association v. Matosantos*, held that the dissolution provisions set forth in Assembly Bill No. 26 of the First Extraordinary Session (2011) were constitutional and permitted the State to allocate revenues that would have been directed to the redevelopment agencies to make pass-through payments (*i.e.*, payments that such entities would have received under prior law) to local agencies and to successor agencies for retirement of the debts and certain administrative costs of the redevelopment agencies.

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

Proposition 30

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

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

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

Pursuant to Proposition 30, the State's ability to expand program requirements will be limited. Local governments will not be required to implement any future State laws that increase local costs to administer realigned program responsibilities unless the State provides such local governments with additional money to pay for the increased costs. Further, Proposition 30 requires the State to pay part of any new local costs that result from certain court actions and changes in federal statutes or regulations that are related to the realigned program responsibilities. Proposition 30 eliminates potential funding liability on the part of the State for mandates imposed upon local governments. Previously, the State was required to reimburse local governments when the State imposed new mandates upon them. In addition, Proposition 30 eliminates the State's practice of reimbursing local governments for costs resulting from certain provisions of the Ralph M. Brown Act including, among other things, the requirement to prepare and post agendas for public meetings.

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

State School Facilities Bonds

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

Proposition 47. The Class Size Reduction Kindergarten – University Public Education Facilities Bond Act of 2002 appeared on the November 5, 2002 ballot as Proposition 47 ("Proposition 47") and was approved by State voters. Proposition 47 authorized the sale and issuance of $13.05 billion in general obligation bonds by the State to fund construction and renovation of K-12 school facilities ($11.4 billion) and higher education facilities ($1.65 billion). Proposition 47 includes $6.35 billion for acquisition of land and new construction of K-12 school facilities. Of this amount, $2.9 billion is set aside to fund backlog projects for which school districts submitted applications to the State on or prior to February 1, 2002. The balance of $3.45 billion would be used to fund projects for which school districts submitted applications to the State after February 1, 2002. To be eligible for bond proceeds under Proposition 47, K-12 school districts are required to pay 50% of the costs for land acquisition and new construction with local revenues. In addition, Proposition 47 provided that up to $100 million of the $3.45 billion would be allocated for charter school facilities. Proposition 47 provides up to $3.3 billion for reconstruction or modernization of existing K-12 school facilities. Of this amount, $1.9 billion will be set aside to fund backlog projects for which school districts submitted applications to the State on or prior to February 1, 2002 and the balance of $1.4 billion would be used to fund projects for which school districts submitted applications to the State after February 1, 2002. K-12 school districts will be required to pay 40% of the costs for reconstruction or modernization with local revenues. Proposition 47 provides a total of $1.7 billion to K-12 school districts which are considered critically overcrowded, specifically to schools that have a large number of pupils relative to the size of the school site. In addition, $50 million will be available to fund joint-use projects. Proposition 47 also includes $1.65 billion to construct new buildings and related infrastructure, alter existing buildings and purchase equipment for use in the State's public higher education systems. As of February 1, 2018, the District has approximately $949.2 million in funds attributable to Proposition 47.

Proposition 55 (2004). The Kindergarten-University Public Education Facilities Bond Act of 2004 appeared on the March 2, 2004 ballot as Proposition 55 ("Proposition 55 (2004)") and was approved by State voters. Proposition 55 (2004) authorizes the sale and issuance of $12.3 billion in general obligation bonds by the State to fund construction and renovation of public K-12 school facilities ($10 billion) and public higher education facilities ($2.3 billion). Proposition 55 (2004) includes $5.26 billion for the acquisition of land and construction of new school buildings. Under Proposition 55 (2004), a school district is required to provide a 50% matching share for new construction or a 60% matching share for modernization projects with local resources unless it qualifies for state hardship funding. Proposition 55 (2004) also allocates up to $300 million of new construction funds for charter school facilities.

Proposition 55 (2004) makes $2.25 billion available for the reconstruction or modernization of existing public school facilities. School districts would be required to pay 40% of project costs from local resources. Proposition 55 (2004) directs a total of $2.44 billion to school districts with schools which are considered critically overcrowded. These funds would go to schools that have a large number of pupils relative to the size of the school site. Proposition 55 (2004) also makes a total of $50 million available to fund joint-use projects. Proposition 55 (2004) includes $2.3 billion to construct new buildings and related infrastructure, alter existing buildings and purchase equipment for use in these buildings for the State's public higher education systems. The measure allocates $690 million to the University of California and California State University and $920 million to community colleges in the State. The Governor and the State Legislature select specific projects to be funded by the bond proceeds. As of February 1, 2018, the District has approximately $2.3 billion in funds attributable to Proposition 55 (2004).

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

Proposition 1D makes $3.3 billion available for the reconstruction or modernization of existing public school facilities. Districts would be required to pay 40% of project costs from local resources. Proposition 1D directs a total of $1.0 billion to school districts with schools that are considered critically overcrowded. These funds would go to schools that have a large number of pupils relative to the size of the school site. Proposition 1D also makes a total of $29 million available to fund joint-use projects. Proposition 1D includes $3.1 billion to construct new buildings and related infrastructure, alter existing buildings and purchase equipment for use in these buildings for California's public higher education systems. Pursuant to Proposition 1D, the Governor and the State Legislature select specific projects to be funded by the bond proceeds. As of February 1, 2018, the District has approximately $818.3 million in funds attributable to Proposition 1D.

Proposition 51. The Kindergarten Through Community College Public Education Facilities Bond Act of 2016 was approved by State voters at the November 8, 2016 ballot as Proposition 51 ("Proposition 51"). Proposition 51 authorizes the sale and issuance of $9 billion in general obligation bonds by the State to fund new construction of school facilities ($3 billion), school facilities for charter schools ($500 million), modernization of school facilities ($3 billion), facilities for career technical education programs ($500 million), and acquisition, construction, renovation, and equipping of community college facilities ($2 billion). Proceeds of bonds issued by the State for K-12 under Proposition 51 are required to be deposited in the 2016 State School Facilities Fund established in the State Treasury under the Greene Act and allocated by the State Allocation Board. As of the date hereof, the State has provided to the District approximately $44 million in Proposition 51 funds.

Future Initiatives

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

REGIONAL ECONOMIC AND DEMOGRAPHIC INFORMATION

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

Population

The following Table A-27 sets forth the estimates of the population of the City, the County and the State in calendar years 2013 through 2017.

TABLE A-27

POPULATION ESTIMATES
2013 through 2017

Year (as of January 1)	City of Los Angeles	County of Los Angeles	State of California
2013	3,866,133	9,963,811	37,984,138
2014	3,914,359	10,054,852	38,357,121
2015	3,957,022	10,136,559	38,714,725
2016	3,999,237	10,182,961	39,189,035
2017	4,041,707	10,241,278	39,523,613

Source: Department of Finance Demographic Research Unit.

Income

The following Table A-28 sets forth the median household income for the City, the County, the State and the United States for calendar years 2012 through 2016.

TABLE A-28

Median Household Income[(1)]
2012 through 2016

Year	City of Los Angeles	County of Los Angeles	State of California	United States
2012	$46,803	$53,001	$58,328	$51,371
2013	48,466	54,529	60,190	52,250
2014	50,544	55,746	61,933	53,657
2015	52,024	59,134	64,500	55,775
2016	54,432	61,338	67,739	57,617

(1) Estimated. In inflation-adjusted dollars.

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

The following Table A-29 sets forth the distribution of income by certain income groupings per household for the City, the County, the State and the United States for calendar year 2016.

TABLE A-29

Income Groupings 2016[1]
(Percent of Households)

Income Per Household	City of Los Angeles	County of Los Angeles	State of California	United States
$24,999 & Under	25.1%	21.5%	18.5%	21.2%
$25,000-49,999	21.3	20.5	19.4	22.5
$50,000 & Over	53.6	58.0	62.2	56.3

(1) Estimated. In inflation-adjusted dollars.

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

Employment

The District is within the Los Angeles-Long Beach Primary Metropolitan Statistical Area Labor Market (Los Angeles County). The following Table A-30 sets forth wage and salary employment in the County from calendar years 2013 through 2017.

TABLE A-30

Labor Force and Employment in the County of Los Angeles[1]
2013 through 2017

	2013	2014	2015	2016	2017[3]
Civilian Labor Force[2]	4,967,000	5,006,800	5,000,600	5,043,300	5,124,400
Employment	4,482,100	4,593,900	4,668,200	4,778,800	4,888,200
Unemployment	485,000	412,900	332,400	264,500	236,300
Unemployment Rate	9.8%	8.2%	6.6%	5.2%	4.6%
Wage and Salary Employment					
Farm	5,500	5,200	5,000	5,300	5,300
Mining and Logging	4,500	4,300	3,900	3,600	3,500
Construction	114,600	118,500	126,200	133,100	139,500
Manufacturing	374,400	370,000	366,800	360,400	355,800
Trade, Transportation and Utilities	781,800	798,800	816,400	829,900	831,000
Information	197,000	198,800	207,500	230,900	231,200
Financial Activities	213,000	211,200	215,500	219,800	222,300
Professional and Business Services	586,900	593,300	595,500	605,200	614,300
Educational and Health Services	702,100	720,700	741,100	767,400	793,800
Leisure and Hospitality	440,500	466,600	489,100	510,500	518,400
Other Services	145,700	150,500	151,000	153,400	160,100
Government	551,200	556,200	568,500	576,300	577,500
Total[1]	4,117,200	4,194,100	4,286,500	4,395,800	4,452,700

(1) Totals may not equal sum of component parts due to rounding. All information updated per March 2016 Benchmark.
(2) Based on place of residence.
(3) Wage and Salary Employment based on average of monthly data for January 2017 through December 2017.
Source: State Employment Development Department, Labor Market Information Division.

The following Table A-31 sets forth taxable sales in the County for the calendar years 2012 through 2016.

TABLE A-31

County of Los Angeles
Taxable Transactions[1]
2012 through 2016
($ in thousands)

Type of Business	2012	2013	2014	2015	2016[5]
Motor Vehicle and Parts Dealers	$ 14,479,392	$ 15,543,657	$ 16,564,553	$ 18,058,173	$ 18,502,763
Home Furnishings and Appliance Stores[2]	6,012,590	6,144,938	6,775,271	7,832,717	7,842,401
Building Materials and Garden Equipment and Supplies Dealers	6,510,966	6,558,312	6,971,149	7,402,869	7,688,704
Food and Beverage Stores	5,824,815	6,051,754	6,279,795	6,689,582	6,808,298
Health and Personal Care Stores[3]	3,163,312	3,306,274	3,414,941	N/A	N/A
Gasoline Stations	14,037,507	13,817,056	13,265,979	11,468,929	10,025,657
Clothing and Clothing Accessories Stores	9,166,549	9,926,558	10,560,952	10,974,322	11,413,847
Sporting Goods, Hobby, Book & Music Stores[3]	2,454,806	2,487,061	2,460,392	N/A	N/A
General Merchandise Stores	11,157,997	11,463,750	11,557,051	10,912,560	10,904,814
Miscellaneous Store Retailers[3]	4,798,211	4,953,245	5,204,656	N/A	N/A
Nonstore Retailers[3]	1,200,322	1,906,573	2,170,084	N/A	N/A
Food Services and Drinking Places	16,512,136	17,481,996	18,964,996	20,605,855	22,002,191
Other Retail Group[4]	N/A	N/A	N/A	14,202,014	14,808,367
Total Retail and Food Services	$ 95,318,603	$ 99,641,174	$104,189,819	$108,147,021	$109,997,043
All Other Outlets	$ 39,976,979	$ 40,438,534	$ 43,257,109	$ 42,886,760	$ 44,211,270
TOTAL ALL OUTLETS	$135,295,582	$140,079,708	$147,446,927	$151,033,781	$154,208,333

(1) Totals may not equal sum of component parts due to rounding.
(2) In 2015, the taxable transactions for the type of business for Furniture and Home Furnishings Stores and Electronics and Appliance Stores were combined.
(3) In 2015, the taxable transactions for the type of business for Health and Personal Care Stores, Sporting Goods, Hobby, Book & Music Stores, Miscellaneous Store Retailers and Nonstore Retailers were eliminated.
(4) In 2015, the taxable transactions for the type of business for Other Retail Group was included.
(5) Represents sum of individual quarterly reports; calendar year data unavailable for 2016.

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

Leading County Employers

The economic base of the County is diverse with no one sector being dominant. Some of the leading activities include government (including education), business/professional management services (including engineering), health services (including training and research), tourism, distribution, and entertainment. The following Table A-32 sets forth the major employers in the County for 2017.

TABLE A-32

County of Los Angeles
Major Employers[1]
2017

Employer	Product/Service	Employees
Los Angeles County	Government	108,995
Los Angeles Unified School District	Education	60,015
University of California, Los Angeles	Education	47,596
U.S. Government – Federal Executive Board	Government	47,000
Kaiser Permanente	Non-profit health plan	36,468
City of Los Angeles	Government	32,987
State of California	Government	28,700
University of Southern California	Private university	20,163
Northrop Grumman Corp.	Defense contractor	16,600
Providence Health & Services Southern California	Health care	15,255
Target Corp.	Retailer	15,000
Ralphs/Food 4 Less (Kroger Co. division)	Retail grocer	14,970
Walt Disney Co.	Entertainment	13,000
Albertsons/Vons/Pavilions	Retail grocer	13,000
Bank of America Corp.	Banking and financial services	12,500
Cedars-Sinai Medical Center	Medical center	12,242
NBC Universal	Entertainment	12,000
AT&T Inc.	Telecommunications	11,500
Home Depot	Home improvement specialty retailer	11,200
Los Angeles County Metropolitan Transp. Auth.	Transportation	10,433
UPS	Transportation and freight	10,131
Los Angeles Department of Water & Power	Energy	9,438
Wells Fargo	Diversified financial services	9,001
Boeing Co.	Integrated aerospace and defense systems	9,000
California Institute of Technology	Private university; operator of Jet Propulsion Laboratory	8,702
Allied Universal	Electronic security systems and solutions	8,384
ABM Industries Inc.	Facility services, energy solutions, commercial cleaning	8,000
Los Angeles Community College District	Education	7,084
FedEx Corp.	Shipping and logistics	7,000
Long Beach Unified School District	Education	6,607
California State University, Northridge	Education	6,540
Dignity Health	Health care	6,274
Costco	Retailer	6,000
Amgen Inc.	Biotechnology	5,616
SoCal Gas	Natural Gas Utility	5,600
Raytheon	Aerospace and defense	5,500

[1] The information on this list was provided by representatives of the employers themselves. Companies are ranked by the current number of full-time employees in Los Angeles County. Several additional companies may have qualified for this list, but failed to submit information or do not break out local employment data.

Source: "2018 Book of Lists," Los Angeles Business Journal, August 28, 2017.

Construction

The following Table A-33 sets forth the valuation of permits for new residential buildings and the number of new single-family and multi-family dwelling units in the City for the years 2013 through 2017.

TABLE A-33

City of Los Angeles
Permit Valuations and Units of Construction[1]
2013 to 2017
($ in thousands)

Year	New Residential Valuation	New Single Family Dwelling Units	New Multi-Family Dwelling Units	Total New Units
2013	$2,487,445	1,061	9,427	10,488
2014	2,822,201	1,602	10,068	11,670
2015	3,650,499	1,839	13,806	15,645
2016	3,733,909	1,857	11,468	13,325
2017	2,179,030	1,215	5,230	6,445

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

Source: California Homebuilding Foundation | Construction Industry Research Board.

The following Table A-34 sets forth the lending activity, home prices and sales, recorded notices of default, unsold new housing and vacancy rates of properties within the County from 2013 through 2017.

TABLE A-34

County of Los Angeles
Real Estate and Construction Indicators
2013 to 2017

Indicator	2013	2014	2015	2016	2017[2]
Construction Lending[1]	$6,379	$8,750	$9,711	$11,979	$9,749
Residential Purchase Lending[1]	$27,910	$31,441	$48,832	$53,362	$40,270
New & Existing Median Home Prices	$412,795	$458,677	$490,083	$521,558	$576,505
New & Existing Home Sales	84,229	76,348	81,188	81,061	62,304
Notices of Default Recorded	20,970	17,883	17,422	13,802	8,608
Unsold New Housing (at year-end)	561	552	620	1,217	1,186
Office Market Vacancy Rates[3]	16.9%	15.7%	15.0%	14.3%	14.3%
Industrial Market Vacancy Rates[3]	2.0%	1.8%	1.0%	0.9%	0.9%

(1) Dollars in millions.
(2) Data for 2017 only available for First through Third Quarters, except Unsold New Housing, for which data is only available as of the end of First Quarter 2017.
(3) Average of quarterly data.

Source: Real Estate Research Council of Southern California – Third Quarter 2017

The following Table A-35 sets forth information with respect to building permits and building valuations in the County from 2013 through 2017.

TABLE A-35

County of Los Angeles
Building Permits and Valuations
2013 to 2017

	2013	2014	2015	2016	2017
Residential Building Permits (Units)					
New Residential Permits					
Single Family	3,599	4,286	4,487	4,654	5,578
Multi-Family	12,631	14,595	18,405	15,685	16,554
Total Residential Building Permits	16,230	18,881	22,892	20,339	22,132
Building Valuations($ in millions)					
Residential Building Valuations					
Single Family	$1,507	$1,740	$1,898	$2,127	$2,379
Multi-Family	1,921	2,310	2,844	2,815	3,202
Alterations and Additions	1,193	1,429	1,641	1,602	1,726
Residential Building Valuations Subtotal	$4,621	$5,479	$6,383	$6,544	$7,308
Non-Residential Building Valuations					
Office Buildings	$246	$269	$349	$377	$492
Store & Other Mercantile	385	829	545	547	712
Hotels and Motels	145	359	368	314	89
Industrial Buildings	128	122	86	139	132
Alterations and Additions	2,012	3,155	2,705	2,853	3,097
Amusement and Recreation	-	-	124	30	195
Parking Garages	-	-	555	263	239
Service Stations and Repair Garages	-	-	18	13	6
Other	669	1,507	894	723	942
Non-Residential Building Valuations Subtotal	$3,585	$ 6,241	$ 5,644	$ 5,259	$ 5904
Total Building Valuations	$8,207	$11,721	$12,028	$11,804	$13,212

Sources: Real Estate Research Council of Southern California (2012 – 2014)
Construction Industry Research Board (2010), California Homebuilding Foundation (2015-2017).

GLOSSARY OF CERTAIN TERMS AND ABBREVIATIONS

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

"AAL" means actuarial accrued liabilities.

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

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

"ARC" means annual required contribution.

"CAFR" means comprehensive annual financial report.

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

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

"CCSA" means the California Charter Schools Association.

"CDE" means the California Department of Education.

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

"Common Core" means Common Core State Standards.

"COPS" means certificates of participation.

"EL" means English learners, a classification for students.

"FRPM" means free or reduced-price meal.

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

"LACOE" means the Los Angeles County Office of Education.

"LAO" means the Legislative Analyst's Office of the State of California.

"LCAP" means the Local Control and Accountability Plan.

"LCFF" means the Local Control Funding Formula.

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

"LI" means students classified as foster youth.

"MPP" means minimum proportionality percentage.

"OCIP" means owner controlled insurance program.

"OPEB" means Other Post-Employment Benefits.

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

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

"PEPRA" means the California Public Employees' Pension Reform Act of 2013.

"PERB" means the Public Employee Relations Board.

"PLL" means pollution legal liability.

"UAAL" means unfunded actuarial accrued liability.

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

APPENDIX B

AUDITED ANNUAL FINANCIAL REPORT
OF THE DISTRICT FOR THE FISCAL YEAR ENDED JUNE 30, 2017

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LOS ANGELES UNIFIED SCHOOL DISTRICT

Audited Annual

FINANCIAL REPORT

For Fiscal Year Ended June 30, 2017



2016-2017

Los Angeles, CA

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LOS ANGELES UNIFIED SCHOOL DISTRICT
LOS ANGELES, CALIFORNIA

AUDITED ANNUAL FINANCIAL REPORT
FISCAL YEAR ENDED JUNE 30, 2017

MS. MICHELLE KING, ED.D.
SUPERINTENDENT OF SCHOOLS

MR. SCOTT S. PRICE, PH.D.
CHIEF FINANCIAL OFFICER
(EFFECTIVE JULY 3, 2017)

MS. MEGAN K. REILLY
CHIEF FINANCIAL OFFICER
(DECEMBER 1, 2007 – MARCH 23, 2017)

MR. V. LUIS BUENDIA
CONTROLLER

PREPARED BY
ACCOUNTING AND DISBURSEMENTS DIVISION

333 S. BEAUDRY AVENUE
LOS ANGELES, CALIFORNIA 90017

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LOS ANGELES UNIFIED SCHOOL DISTRICT

Audited Annual Financial Report

Year Ended June 30, 2017

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LOS ANGELES UNIFIED SCHOOL DISTRICT
Audited Annual Financial Report
Year Ended June 30, 2017

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LOS ANGELES UNIFIED SCHOOL DISTRICT
Audited Annual Financial Report
Year Ended June 30, 2017

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LOS ANGELES UNIFIED SCHOOL DISTRICT • BOARD OF EDUCATION •

INTRODUCTORY SECTION

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LOS ANGELES UNIFIED SCHOOL DISTRICT

MICHELLE KING, Ed.D.
Superintendent of Schools

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

V. LUIS BUENDIA
Controller

December 14, 2017

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, 2017, 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 2016-17 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, 2017, the District is operating 449 elementary schools, 82 middle/junior high schools, 95 senior high schools, 54 options schools, 24 multi-level schools, 14 special education schools, 47 magnet schools and 168 magnet centers, 2 community adult schools, 6 regional occupational centers, 3 skills center, 1 regional occupational program 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, 2017, the District employed 37,258 certificated, 27,197 classified, and 15,024 unclassified employees. Enrollment as of September 2016 was 513,875 students in K-12 schools, 33,371 students in adult schools and centers, and 12,507 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 U.S. economy continues to grow modestly with an expected downward trend for unemployment and showing no signs of an impending recession. However, UCLA Anderson Forecast pointed out that although the country is in its eighth year of expansion, the rate of growth has been the mildest of any U.S. expansion on record. Gross domestic product (GDP) growth rate provides an overview of how fast the economy is growing and is regarded to be an important indicator of economic health. In the UCLA Anderson Forecast's report for the third quarter of 2017, real GDP is estimated to grow by 2.1% in 2017, 2.8% in 2018, and 2.1% in 2019. According to the data by the Bureau of Economic Analysis of the U.S. Department of Commerce, real GDP for the country increased 2.4% in 2014, 2.6% in 2015, and 1.6% in 2016.

The UCLA Anderson Forecast for California shows an employment growth of 1.1% in 2017, 0.9% in 2018, and 0.9% in 2019. With steady gains in employment, unemployment in the state is anticipated to decrease to 4.5% by the end of 2019. National unemployment rate is predicted to be at 4.1% by 2019. Below is a table to show the monthly unemployment rates in 2017 for the nation, California, and two other larger economies, the states of Texas and New York.

Month	U.S.	California	Texas	New York
January	4.8%	5.2%	4.8%	4.6%
February	4.7%	5.0%	4.9%	4.4%
March	4.5%	4.9%	5.0%	4.3%
April	4.4%	4.8%	5.0%	4.3%
May	4.3%	4.7%	4.8%	4.4%
June	4.4%	4.7%	4.6%	4.5%
July	4.3%	4.8%	4.3%	4.7%
August	4.4%	5.1%	4.2%	4.8%
September	4.2%	5.1%	4.0%	4.9%
October	4.1%	4.9% (P)	3.9% (P)	4.8% (P)

P – Preliminary estimate

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

Last June 2017, Governor Brown signed the 2017-18 State Budget with $125 billion budget in the General Fund and a $74.5 billion investment in Proposition 98. Proposition 98 provides funding to K-12 schools and community colleges. Underlying the state enacted budget is an average annual personal income growth forecast of 4.2% from 2015-16 through 2020-21. Personal income tax is the state's most important revenue source accounting for two-thirds of the state General Fund. The latest revenue forecast from the Legislative Analyst's Office (LAO) "2018-19 California's Fiscal Outlook" is an average personal income tax growth of 5% from 2017-18 through 2021-22 under a growth scenario. On the other hand, in a recession scenario, the average annual growth is forecasted at a negative 2.4% for the same period. However, LAO caveats that there are a variety of factors other than economic uncertainty that can affect the state budget condition. Future budget and policy decisions undertaken by the legislature, state executive branch, and state's retirement systems can either have a positive or negative effect on the state budget condition. Also, federal policy changes in health care, tax, immigration, or trade could either be beneficial or detrimental to the state budget, economy, and tax revenues. In January 2018, the Governor is scheduled to present the state budget for 2018-19 which will incorporate the latest economic forecast and revenue assumptions as well as outline expenditure commitments and priorities.

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 2016-17, the Statement of Changes in Net Position shows that the District's Net Position decreased by \$0.5 billion during the year. The Unrestricted Net Position, which is negative, declined from (\$10.5 billion) to (\$10.9 billion). The negative Unrestricted Net Position is largely the result of retiree health benefit (OPEB) liability and net pension liability for various retirement plans. The OPEB liability reflected, which represents the previous year's liability increased by the current year's unfunded expense, is \$7.5 billion, an increase of \$0.8 billion from 2015-16. The latest actuarial report estimates the actuarial accrued liability to be \$13.6 billion. The District has started to pre-fund its OPEB liability through an irrevocable Trust. However, the contribution made to the Trust is not enough to fully fund the existing or increase in the OPEB liability.

In 2016-17, the fund balance of the General Fund increased by \$0.5 billion from \$1.3 billion to \$1.8 billion. This increase is primarily due to higher apportionment received from Local Control Funding Formula (LCFF) sources.

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 13 programs audited received an Unmodified audit. The District also received an Unmodified state compliance audit.

There were 15 audit findings in 2016-17, which was the same as in 2015-16. However, the amount of questioned costs decreased from \$449,837 to \$261,987. The District will continue to work with schools and offices to focus on resolving these areas of internal control and compliance issues.

Acknowledgments

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

Respectfully submitted,

Michelle King, Ed.D.
Superintendent of Schools

Prepared by:

V. Luis Buendia
Controller

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

BOARD OF EDUCATION

Mónica García
President

Dr. George J. McKenna III	Dr. Ref Rodriguez
Scott M. Schmerelson	Kelly Gonez
Nick Melvoin	Dr. Richard A. Vladovic

PRINCIPAL SCHOOL DISTRICT OFFICIALS

Dr. Michelle King
Superintendent of Schools

Dr. Scott S. Price
Chief Financial Officer
(Effective July 3, 2017)

Megan K. Reilly
Chief Financial Officer
(December 1, 2007 – March 23, 2017)

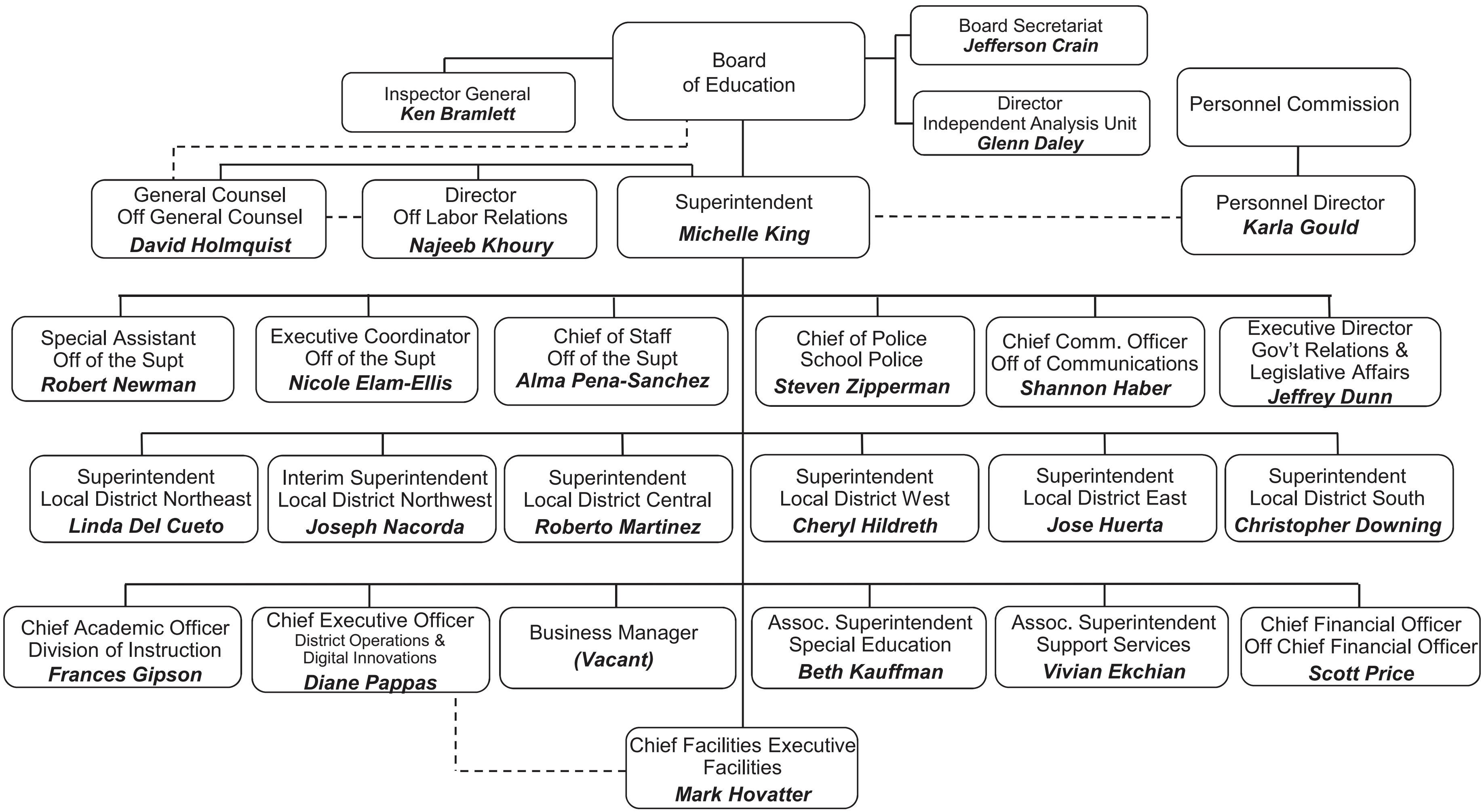
V. Luis Buendia
Controller

LOCAL DISTRICT OFFICIALS

	Local District Superintendent	Administrator of Instruction	Administrator of Operations	Administrator of Parent & Community Engagement	Administrator of Special Education
Northeast:	Linda Del Cueto	Veronica Arreguin	Andres E. Chait	Antonio Reveles	Alesha Haase
Northwest:	Joseph Nacorda (Interim)	Dina Sim	Debra Bryant	Gonsalo Garay	Cindy Welden
South:	Christopher Downing	Pedro Garcia	Myrna N. Brutti	Theresa Arreguin	Jose Soto
East:	Jose Huerta	Dr. David Baca	Dr. Alfonso Webb	Jose Avila	Janet Montoya
West:	Cheryl Hildreth	Dr. Darnise Williams	RaDaniel McCoy	Traci Calhoun	Bette Medina
Central:	Roberto Martinez	Natividad Rozsa	Eugene Hernandez	Ismael Berver	Christina Cisneros

LAUSD Organization Chart – Revised 11-16-2017

School Year 2017-2018



FINANCIAL SECTION

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SIMPSON & SIMPSON
CERTIFIED PUBLIC ACCOUNTANTS

FOUNDING PARTNERS
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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, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Los Angeles Unified School District as of June 30, 2017, and the respective changes in financial position, and where applicable, cash flows thereof and the respective budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 13 and the required supplementary information on pages 75-79 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, 118 to 126, and 132, and the schedule of expenditures of federal awards and related notes on pages 133-137, 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 117 and 127 to 131 have not been subjected to the auditing procedures applied in the audit of the basic financial statements and accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 14, 2017, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Simpson & Simpson

Los Angeles, California
December 14, 2017

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, 2017.

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 $5.1 billion (net position). This amount includes $10.9 billion deficit in unrestricted net position resulting primarily from unfunded liabilities for other postemployment benefits (OPEB) and net pension liability for various retirement plans.
- The District's total net position decreased by $0.5 billion from prior year primarily due to increase in unfunded liabilities for OPEB, offset by increased revenues from Local Control Funding Formula sources.
- The District's total long-term obligations increased by $1.2 billion (4.6%) during the current fiscal year. The increase resulted primarily from additional OPEB obligation and net pension liability.
- As of the close of the 2017 fiscal year, the District's governmental funds reported combined ending fund balances of $4.1 billion, an increase of $0.1 billion from June 30, 2016.
- At the end of the current fiscal year, assigned and unassigned fund balances for the General Fund, including reserve for economic uncertainties, was $1.6 billion, or 23.4% 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.

(Continued)

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.

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 26-74 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 $5.1 billion at the close of the most recent year.

The District's net position reflects its investments in capital assets ($5.0 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 ($776.0 million) represents resources that are subject to external restrictions on how they may be used. The majority of this pertains to capital projects funds, primarily the County School Facilities Bonds fund. The remaining negative balance in unrestricted net position (-$10.9 billion) resulted primarily from the recognition of $7.5 billion of net OPEB obligation and $6.3 billion of net pension liability.

At the end of the 2017 fiscal year, the District is able to report positive balances in all categories of net position except for unrestricted net position.

The $201.0 million decrease in net capital assets primarily relates to the recognition of depreciation expense which is higher compared to costs incurred for school construction and modernization projects throughout the District.

Long-term liabilities increased by $1.2 billion primarily due to additional OPEB obligation and net pension liability.

Summary Statements of Net Position (in thousands)

As of June 30, 2017 and 2016:

	Governmental Activities	
	2017	**2016**
Current Assets	$ 5,909,524	$ 5,770,970
Capital Assets, net	14,339,938	14,540,889
Total Assets	20,249,462	20,311,859
Deferred Outflows of Resources	2,002,875	1,296,094
Current Liabilities	958,570	858,886
Long-term Liabilities	25,330,454	24,164,629
Total Liabilities	26,289,024	25,023,515
Deferred Inflows of Resources	1,061,445	1,169,948
Net Position:		
Net investment in capital assets	4,981,898	4,815,146
Restricted for:		
Debt service	78,108	282,339
Program activities	697,845	841,203
Unrestricted	(10,855,983)	(10,524,198)
Total Net Position	$ (5,098,132)	$ (4,585,510)

(Continued)

Summary Statements of Changes in Net Position (in thousands)

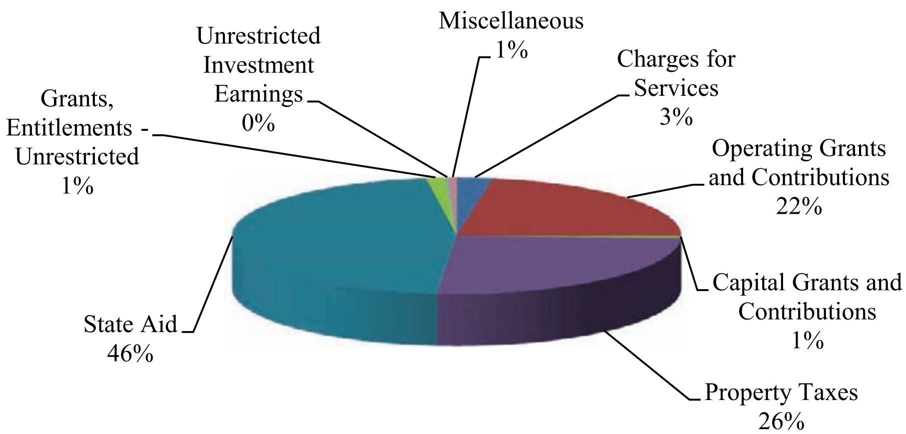
Year ended June 30, 2017 and 2016:

	Governmental Activities	
	2017	**2016**
Revenues:		
Program Revenues:		
Charges for services	$ 234,292	$ 151,735
Operating grants and contributions	1,984,822	2,248,923
Capital grants and contributions	72,315	116,337
Total Program Revenues	2,291,429	2,516,995
General Revenues:		
Property taxes levied for general purposes	1,446,985	1,303,559
Property taxes levied for debt service	800,528	759,471
Property taxes levied for community redevelopment	27,636	24,866
State aid not restricted to specific purpose	4,000,563	3,986,597
Grants, entitlements, and contributions not restricted to specific programs	253,254	135,969
Unrestricted investment earnings	23,580	11,634
Miscellaneous	45,494	3,112
Total General Revenues	6,598,040	6,225,208
Total Revenues	8,889,469	8,742,203
Expenses:		
Instruction	4,706,660	4,549,775
Support Services:		
Support services – students	470,559	436,984
Support services – instructional staff	578,634	535,303
Support services – general administration	61,228	185,937
Support services – school administration	524,408	497,149
Support services – business	274,286	269,496
Operation and maintenance of plant services	802,236	696,363
Student transportation services	184,337	183,474
Data processing services	43,810	34,351
Operation of noninstructional services	549,052	529,349
Facilities acquisition and construction services	163,239	189,032
Other uses	6,671	5,749
Interest expense	455,362	477,924
Depreciation – unallocated	581,609	567,830
Total Expenses	9,402,091	9,158,716
Changes in Net Position	(512,622)	(416,513)
Net Position – Beginning of Year	(4,585,510)	(4,168,997)
Net Position – End of Year	$ (5,098,132)	$ (4,585,510)

The District's net position decreased by $512.6 million in the current fiscal year. This is primarily due to the increase in other postemployment benefits expense. However, total revenue is higher by $147.3 million resulting primarily from increase in apportionments.

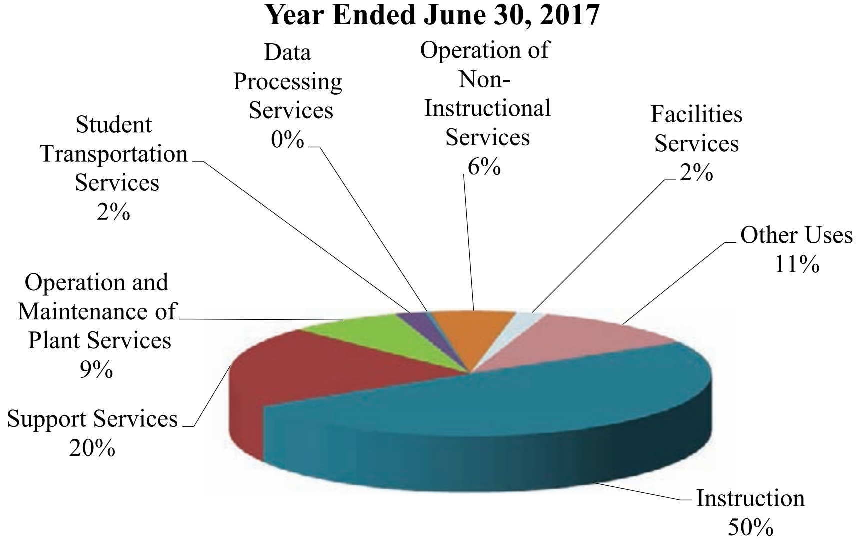
The following graph shows that state aid, property taxes, and operating grants and contributions are the main revenue sources of the District.

Revenues by Source
Year Ended June 30, 2017



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

Expenses
Year Ended June 30, 2017



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 $4,061.0 million, an increase of $81.5 million in comparison with the prior year. Approximately 45.4% ($1,844.64 million) of this total combined ending fund balance constitutes unrestricted fund balance, which is available for spending at the District's discretion. The remaining 54.6% are either restricted or nonspendable and are not available for new spending: restricted balances ($2,178.6 million) and nonspendable inventories and revolving cash ($37.8 million).

The General Fund is the primary operating fund of the District. At the end of the 2017 fiscal year, the unrestricted fund balance of the General Fund was $1,578.6 million, while the total fund balance is $1,765.1 million. As a measure of the General Fund's liquidity, it may be useful to compare both the unrestricted fund balance and the total fund balance to the total fund expenditures. The unrestricted fund balance represents 23.4% of the total General Fund expenditures, while the total fund balance represents 26.1% of that same amount.

The fund balance of the District's General Fund increased by $455.0 million during the current fiscal year. This is primarily due to higher apportionment received from Local Control Funding Formula sources.

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

			Other Governmental Funds			
	District Bonds	Bond Interest and Redemption	Special Revenue	Debt Service	Other Capital Projects	Total
Fund Balance, June 30, 2017:						
Nonspendable						
Revolving cash and imprest funds	$ 3,625	$ —	$ 32	$ —	$ —	$ 32
Inventories	—	—	10,509	—	—	10,509
Prepaids	—	—	148	—	—	148
Restricted	684,957	764,293	71,423	57,911	436,939	566,273
Assigned	4,184	—	16,815	—	245,060	261,875
Total	692,766	764,293	98,927	57,911	681,999	838,837
Fund Balance, July 1, 2016	992,409	781,386	74,047	57,008	764,555	895,610
Increase (decrease) in fund balance	$ (299,643)	$ (17,093)	$ 24,880	$ 903	$ (82,556)	$ (56,773)

The fund balance decreased during the current year for the District Bonds due to continued spending for school construction, modernization projects, and renovation. Special Revenue also increased primarily due to increase in revenue in the Cafeteria Fund.

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

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

At the end of the year, the District's proprietary funds have an unrestricted net position of $327.5 million. The net increase of $10.1 million in the current year is primarily attributed to a net operating margin in the Workers' Compensation Self-Insurance fund as a result of higher contribution to the fund offset by lower expenditures.

General Fund Budgetary Highlights

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

Modified Final Budget vs. Original Final Budget

The District's Original Final Budget is based on assumptions from the State's May Revision Budget, while the Modified Final Budget is based not only on the State's Enacted Budget but also on all other known State budgetary changes and changes to the District's priority of program implementations and/or planned expenditures. Differences between the 2016-17 General Fund Original Final Budget adopted by the Board of Education in June 2016 and the Modified Final Budget, resulted in a higher budgeted ending balance by $125.3 million, from $1,030.7 million to $1,156.0 million. Adjustments to the Original Final Budget were an increase in beginning balance by $181.8 million, an increase in budgeted revenues and financing sources by $167.7 million, and an increase in budgeted expenditures and other financing uses by $224.2 million.

The increase in beginning balance by $181.8 million was to reflect the actual ending balance as of June 30, 2016 as opposed to the estimated June 30, 2016 ending balance. The net increase in budgeted revenues and other financing sources of $156.1 million was mostly due to LCFF revenue increase of $32.0 million, higher State's on-behalf contribution to California State Teachers' Retirement System (CalSTRS) of $11.6 million, higher transfers from Capital Project Funds of $36.8 million, and increased grant recognition of $72.4 million.

The increase in estimated expenditures and other financing uses of $224.2 million was mostly attributable to budget changes to reflect pension expense for the State's on-behalf contribution to CalSTRS of $11.6 million, increased textbook expense of $96.3 million, higher grant expenditures of $73.0 million, and higher requirement for insurance and rubbish of $17.5 million and $6.3 million, respectively.

Actual vs. Modified Final Budget

The beginning balance remained the same on both the Actual and the Modified Final Budget. The unfavorable variance of $118.0 million in revenues and other financing sources between the Actual and Modified Final Budget was mostly due to the $137.8 million adjustment on multi-year grants budgeted in their entirety but earned only to the extent of actual expenditures incurred and lower State's on-behalf contribution to California State Teachers' Retirement System (CalSTRS) of $52.5 million offset by a recognition of $65.3 million proceeds from spectrum usage rights relinquished by KLCS in connection with the Federal Communications Commission reverse auction, higher miscellaneous income of $14.9 million mostly from the PERS and PARS contribution reconciliation, and increased interest income of $7.8 million due to higher cash balance and higher rate.

The favorable variance of $727.2 million in expenditures and other financing uses between the Actual and the Modified Final Budget was due to lower than anticipated expenditures in almost all of the major objects of expenditures. The largest decreases in expenditures were mainly in Books and Supplies ($315.3 million), Services and Other Operating Expenditures ($156.5 million), and Certificated Salaries ($114.9 million).

Differences between the Actual and Modified Final Budget resulted in a higher ending balance by $609.2 million, from $1,156.0 million to $1,765.1 million.

Capital Assets and Debt Administration

Capital assets. The District's investment in capital assets for its governmental activities as of June 30, 2017 amounts to $14,339.9 million (net of accumulated depreciation), 1.4% decrease 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 decrease is primarily due to the recognition of depreciation expense which is higher than the costs incurred for school construction and modernization projects.

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

	Governmental Activities	
	2017	2016
Sites	$ 3,099,156	$ 3,095,481
Improvement of sites	202,775	201,737
Buildings and improvements	9,923,905	10,201,552
Equipment	480,989	456,061
Construction in progress	633,113	586,058
Total	$ 14,339,938	$ 14,540,889

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

Long-term obligations. At the end of the current fiscal year, the District had total long-term obligations of $25.3 billion. Of this amount, $10.5 billion comprises of debt to be repaid by voter-approved property taxes and not by the General Fund of the District.

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

	Governmental Activities	
	2017	2016
General Obligation Bonds	$ 10,520,277	$ 10,964,007
Certificates of Participation (COPs)	243,219	275,755
Capital Lease Obligations	1,005	1,367
Children's Center Facilities Revolving Loan	316	396
Liability for Compensated Absences	70,665	70,555
Liability for Other Employee Benefits	52,251	55,515
Self-insurance Claims	650,963	727,544
Net Pension Liability	6,269,867	5,346,427
Other Postemployment Benefits (OPEB)	7,521,308	6,723,063
Arbitrage Payable	583	—
Total	$ 25,330,454	$ 24,164,629

The District's total long-term obligations increased by $1.2 billion (4.6%) during the current fiscal year. The key factor in this increase is the additional OPEB obligation and net pension liability.

Long-Term Credit Ratings

The ratings on the District's sale of GO bonds that were issued in May 2017 and September 2016 are "AAA" from Fitch Ratings (Fitch), and "Aa2" from Moody's Investor's Service (Moody's). In addition, the District received "AA+" rating from Kroll Bond Rating Agency for the September 2016 GO bonds sale. GO Bonds issued prior to fiscal year 2015-16 are rated "AA-" by Standard & Poor's (S&P). The District's COPs are currently rated "A1" and "A+" by Moody's and S&P, respectively.

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

State statutes limit the issuance of general obligation bond debt by a unified school district if the outstanding general obligation bonds are more than 2.5% of its total taxable property. The debt limitation for the District as of June 30, 2017 is $15.1 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 65-70 of this report.

Requests for Information

This financial report is designed to provide a general overview of the District's finances for all those with an interest in the District's finances. This report is available on the District's website, under the Office of the Chief Financial Officer homepage (https://achieve.lausd.net/Page/1679). Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Office of the Chief Financial Officer, Los Angeles Unified School District, P.O. Box 513307-1307, Los Angeles, California 90051-1307.

LOS ANGELES UNIFIED SCHOOL DISTRICT
Statement of Net Position
June 30, 2017
(in thousands)

	Governmental Activities
Assets:	
Cash in county treasury, in banks, and on hand	$ 5,313,629
Cash held by trustee	51,997
Property taxes receivable	75,828
Accounts receivable, net	343,927
Accrued interest receivable	21,153
Prepaids	50,291
Inventories	29,089
Accounts receivable, non current	17,809
Other assets	5,801
Capital assets:	
Sites	3,099,156
Improvement of sites	624,641
Buildings and improvements	15,548,165
Equipment	2,095,426
Construction in progress	633,113
Less accumulated depreciation	(7,660,563)
Total Capital Assets, Net of Depreciation	14,339,938
Total Assets	20,249,462
Deferred Outflows of Resources	2,002,875
Liabilities:	
Vouchers and accounts payable	242,907
Contracts payable	37,222
Accrued payroll	225,589
Accrued interest	229,924
Other payables	153,609
Unearned revenue	69,319
Long-term liabilities:	
Portion due within one year	777,559
Portion due after one year	18,283,028
Net Pension Liability	6,269,867
Total Liabilities	26,289,024
Deferred Inflows of Resources	1,061,445
Net Position:	
Net investment in capital assets	4,981,898
Restricted for:	
Debt service	78,108
Program activities	697,845
Unrestricted	(10,855,983)
Total Net Position	$ (5,098,132)

See accompanying notes to basic financial statements.

LOS ANGELES UNIFIED SCHOOL DISTRICT
Statement of Activities
Year Ended June 30, 2017
(in thousands)

Functions/programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position
Governmental activities:					
Instruction	$ 4,706,660	$ 34,756	$ 970,884	$ —	$ (3,701,020)
Support services – students	470,559	—	164,672	—	(305,887)
Support services – instructional staff	578,634	65,355	211,572	—	(301,707)
Support services – general administration	61,228	—	301	—	(60,927)
Support services – school administration	524,408	—	54,000	—	(470,408)
Support services – business	274,286	7,441	50,667	—	(216,178)
Operation and maintenance of plant services	802,236	26,572	26,034	—	(749,630)
Student transportation services	184,337	—	39	—	(184,298)
Data processing services	43,810	—	52	—	(43,758)
Operation of non-instructional services	549,052	9,742	453,696	—	(85,614)
Facilities acquisition and construction services*	163,239	90,426	51,532	3,651	(17,630)
Other Uses	6,671	—	—	—	(6,671)
Interest expense	455,362	—	1,373	68,664	(385,325)
Depreciation – unallocated**	581,609	—	—	—	(581,609)
Total Governmental Activities	$ 9,402,091	$ 234,292	$ 1,984,822	$ 72,315	(7,110,662)
General revenues:					
Taxes:					
Property taxes, levied for general purposes					1,446,985
Property taxes, levied for debt service					800,528
Property taxes, levied for community redevelopment					27,636
State aid not restricted to specific purpose					4,000,563
Grants, entitlements, and contributions not restricted to specific programs					253,254
Unrestricted investment earnings					23,580
Miscellaneous					45,494
Total General Revenues					6,598,040
Change in Net Position					(512,622)
Net Position – Beginning of Year					(4,585,510)
Net Position – End of Year					$ (5,098,132)

* 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, 2017
(in thousands)

	General	District Bonds	Bond Interest and Redemption	Other Governmental	Total Governmental
Assets:					
Cash in county treasury, in banks, and on hand	$ 2,037,457	$ 747,696	$ 798,769	$ 800,684	$ 4,384,606
Cash held by trustee	3,587	—	—	48,410	51,997
Taxes receivable	—	—	75,828	—	75,828
Accounts receivable – net	280,731	1,448	—	34,343	316,522
Accrued interest receivable	7,949	4,129	—	4,085	16,163
Due from other funds	27,000	—	—	—	27,000
Prepaids	2,166	—	—	148	2,314
Inventories	18,581	—	—	10,508	29,089
Total Assets	2,377,471	753,273	874,597	898,178	4,903,519
Deferred Outflows of Resources	—	—	—	—	—
Total Assets and Deferred Outflows of Resources	$ 2,377,471	$ 753,273	$ 874,597	$ 898,178	$ 4,903,519
Liabilities and Fund Balances:					
Vouchers and accounts payable	$ 205,664	$ 27,548	—	$ 6,354	$ 239,566
Contracts payable	3,848	26,296	—	7,078	37,222
Accrued payroll	211,646	3,806	—	10,159	225,611
Other payables	123,174	2,857	—	7,427	133,458
Due to other funds	—	—	—	27,000	27,000
Unearned revenue	67,996	—	—	1,323	69,319
Total Liabilities	612,328	60,507	—	59,341	732,176
Deferred Inflows of Resources:					
Property Taxes	—	—	75,828	—	75,828
Build America Bond Subsidy	—	—	34,476	—	34,476
Total Deferred Inflows of Resources	—	—	110,304	—	110,304
Fund Balances:					
Nonspendable	$ 23,503	$ 3,625	—	$ 10,689	$ 37,817
Restricted	163,054	684,957	764,293	—	1,612,304
Restricted, reported in:					
Special revenue funds	—	—	—	71,423	71,423
Debt service funds	—	—	—	57,911	57,911
Capital projects funds	—	—	—	436,939	436,939
Assigned	783,906	4,184	—	—	788,090
Assigned, reported in:					
Special revenue funds	—	—	—	16,815	16,815
Capital projects funds	—	—	—	245,060	245,060
Unassigned:					
Reserved for economic uncertainties	73,411	—	—	—	73,411
Unassigned	721,269	—	—	—	721,269
Total Fund Balances	1,765,143	692,766	764,293	838,837	4,061,039
Total Liabilities, Deferred Inflows of Resources and Fund Balances	$ 2,377,471	$ 753,273	$ 874,597	$ 898,178	$ 4,903,519

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, 2017
(in thousands)

Total Fund Balances – Governmental Funds	$ 4,061,039
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. The cost of the assets is $22,000,501 and the accumulated depreciation is $7,660,563.	14,339,938
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.	75,828
Federal subsidies for debt service expenditures are recognized in the governmental funds only when the corresponding interest expenditure is recognized.	34,476
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.	21,368
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.	327,465
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.	(18,638,691)
Deferred outflow/inflow of resources – refunding charges are not reported in the governmental funds.	88,400
Proportionate share of net pension liability and related deferred inflow/outflow of resources are not reported in the governmental funds.	(5,407,955)
Total Net Position – Governmental Activities	$ (5,098,132)

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, 2017
(in thousands)

	General	District Bonds	Bond Interest and Redemption	Other Governmental	Total Governmental
Revenues:					
Local Control Funding Formula sources	$ 5,447,548	$ —	$ —	$ —	$ 5,447,548
Federal revenues	615,152	—	68,700	362,313	1,046,165
Other state revenues	942,920	—	3,803	231,669	1,178,392
Other local revenues	170,531	15,000	800,269	151,832	1,137,632
Total Revenues	7,176,151	15,000	872,772	745,814	8,809,737
Expenditures:					
Current:					
Certificated salaries	2,861,863	—	—	96,666	2,958,529
Classified salaries	963,791	57,454	—	154,927	1,176,172
Employee benefits	1,825,942	26,082	—	170,484	2,022,508
Books and supplies	259,505	2,016	—	183,634	445,155
Services and other operating expenditures	799,833	25,936	—	16,624	842,393
Capital outlay	61,136	291,627	—	69,543	422,306
Debt service – principal	658	—	389,995	30,700	421,353
Debt service – refunding bond issuance cost	—	—	3,793	—	3,793
Debt service – bond, COPs, and capital leases interest	50	—	499,870	12,096	512,016
Other outgo	5,314	—	—	1,357	6,671
Transfers of indirect costs – interfund	(19,520)	—	—	19,520	—
Total Expenditures	6,758,572	403,115	893,658	755,551	8,810,896
Excess (Deficiency) of Revenues Over (Under) Expenditures	417,579	(388,115)	(20,886)	(9,737)	(1,159)
Other Financing Sources (Uses):					
Transfers in	37,299	117,043	—	102,029	256,371
Transfers out	(78,735)	(28,571)	—	(149,065)	(256,371)
Issuance of refunding bonds	—	—	1,581,685	—	1,581,685
Payment to refunded bond escrow agent	—	—	(1,887,011)	—	(1,887,011)
Premium on refunding bonds issued	—	—	310,714	—	310,714
Discount on refunding bonds issued	—	—	(1,595)	—	(1,595)
Insurance proceeds – landslide and fire damage	13,268	—	—	—	13,268
Capital leases	296	—	—	—	296
Proceeds from sale of capital assets	65,255	—	—	—	65,255
Total Other Financing Sources (Uses)	37,383	88,472	3,793	(47,036)	82,612
Net Changes in Fund Balances	454,962	(299,643)	(17,093)	(56,773)	81,453
Fund Balances, July 1, 2016	1,310,181	992,409	781,386	895,610	3,979,586
Fund Balances, June 30, 2017	$ 1,765,143	$ 692,766	$ 764,293	$ 838,837	$ 4,061,039

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, 2017
(in thousands)

Net Changes in Fund Balances – Governmental Funds	$ 81,453
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.	(200,951)
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.	(296)
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.	726,679
Premiums, discounts, refunding charges and issuance costs 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.	(309,119)
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.	6,249
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).	2,255
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.	62,052
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.	(583)
OPEB expenditures are recorded in the governmental funds to the extent of amounts actually funded. In the statement of activities, however, the expense is recorded for the full amount of the accrual-basis annual OPEB cost.	(798,245)
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.	10,129
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.	(3,559)
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.	(37)
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.	(88,649)
Change in Net Position of Governmental Activities	$ (512,622)

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, 2017
(in thousands)

	Budget			Variance with Final Budget – Favorable
	Original	Final	Actual	(Unfavorable)
Revenues:				
Local Control Funding Formula sources	$ 5,416,518	$ 5,448,549	$ 5,447,548	$ (1,001)
Federal revenues	713,865	730,375	615,152	(115,223)
Other state revenues	967,114	1,030,847	942,920	(87,927)
Other local revenues	122,100	138,952	170,531	31,579
Total Revenues	7,219,597	7,348,723	7,176,151	(172,572)
Expenditures:				
Current:				
Certificated salaries	2,931,922	2,976,795	2,861,863	114,932
Classified salaries	976,704	994,297	963,791	30,506
Employee benefits	1,925,195	1,929,618	1,825,942	103,676
Books and supplies	570,227	574,784	259,505	315,279
Services and other operating expenditures	828,394	956,310	799,833	156,477
Capital outlay	14,987	63,432	61,136	2,296
Debt service – principal	913	746	658	88
Debt service – bond, COPs, and capital leases interest	—	60	50	10
Other outgo	7,801	7,732	5,314	2,418
Transfers of indirect costs – interfund	(21,616)	(21,046)	(19,520)	(1,526)
Total Expenditures	7,234,527	7,482,728	6,758,572	724,156
Excess (Deficiency) of Revenues Over (Under) Expenditures	(14,930)	(134,005)	417,579	551,584
Other Financing Sources (Uses):				
Transfers in	23,000	59,799	37,299	(22,500)
Transfers out	(105,775)	(81,782)	(78,735)	3,047
Insurance proceeds – landslide and fire damage	—	—	13,268	13,268
Capital leases	—	—	296	296
Proceeds from sale of capital assets	—	1,768	65,255	63,487
Total Other Financing Uses	(82,775)	(20,215)	37,383	57,598
Net Changes in Fund Balances	(97,705)	(154,220)	454,962	609,182
Fund Balances, July 1, 2016	1,128,412	1,310,181	1,310,181	—
Fund Balances, June 30, 2017	$ 1,030,707	$ 1,155,961	$ 1,765,143	$ 609,182

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, 2017
(in thousands)

Assets:	
Cash in county treasury, in banks, and on hand	$ 929,023
Accounts receivable – net	23,846
Accrued interest and dividends receivable	4,990
Prepaids	47,977
Other assets	5,801
Total Assets	1,011,637
Deferred Outflows of Resources	4,149
Liabilities:	
Current:	
Vouchers and accounts payable	3,342
Accrued payroll	834
Other payables	20,151
Estimated liability for self-insurance claims	207,251
Total Current Liabilities	231,578
Noncurrent:	
Estimated liability for self-insurance claims	443,712
Net pension liability	11,011
Total Liabilities	686,301
Deferred Inflows of Resources	2,020
Total Net Position – Unrestricted	$ 327,465

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, 2017
(in thousands)

Operating Revenues:	
In-District premiums	$ 1,192,738
Others	2,208
Total Operating Revenues	1,194,946
Operating Expenses:	
Certificated salaries	445
Classified salaries	6,737
Employee benefits	4,907
Supplies	279
Premiums and claims expenses	1,167,894
Claims administration	13,276
Other contracted services	2,291
Total Operating Expenses	1,195,829
Operating Income (Loss)	(883)
Nonoperating Revenues (Expenses):	
Investment income	11,057
Miscellaneous expense	(45)
Total Nonoperating Revenues	11,012
Changes in Net Position	10,129
Total Net Position, July 1, 2016	317,336
Total Net Position, June 30, 2017	$ 327,465

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, 2017
(in thousands)

Cash Flows from Operating Activities:	
Cash payments to employees for services	$ (10,615)
Cash payments for goods and services	(1,287,563)
Receipts from assessment to other funds	1,192,867
Other operating revenue	2,208
Net Cash Provided (Used) by Operating Activities	(103,103)
Cash Flows from Investing Activities:	
Earnings on investments	8,819
Net Cash Provided by Investing Activities	8,819
Net Increase (Decrease) in Cash and Cash Equivalents	(94,284)
Cash and Cash Equivalents, July 1	1,023,307
Cash and Cash Equivalents, June 30	$ 929,023
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:	
Operating Income (Loss)	$ (883)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Net decrease in pension expense from actuarial valuation	1,379
Change in Assets: Decrease (Increase)	
Accounts receivable	(10,406)
Prepaids	(1,143)
Other assets	(345)
Change in Liabilities: Increase (Decrease)	
Vouchers and accounts payable	686
Accrued payroll	96
Other payables	(15,906)
Estimated liability for self-insurance claims – current	(94,714)
Estimated liability for self-insurance claims – noncurrent	18,133
Total Adjustments	(102,220)
Net Cash Provided (Used) by Operating Activities	$ (103,103)

See accompanying notes to basic financial statements.

LOS ANGELES UNIFIED SCHOOL DISTRICT
Statement of Net Position
Fiduciary Funds
June 30, 2017
(in thousands)

	Other Postemployment Benefits (OPEB) Trust Fund	Agency Funds
Assets:		
Cash in county treasury, in banks, and on hand	$ —	$ 164,740
Cash held by trustee	244,130	—
Accounts receivable – net	—	1
Accrued interest receivable	—	69
Total Assets	$ 244,130	$ 164,810
Liabilities:		
Other payables	$ —	$ 164,810
Total Liabilities	$ —	$ 164,810
Net Position:		
Restricted for other postemployment benefits	$ 244,130	

See accompanying notes to basic financial statements.

LOS ANGELES UNIFIED SCHOOL DISTRICT
Statement of Changes in Net Position
Fiduciary Funds
Year Ended June 30, 2017
(in thousands)

	Other Postemployment Benefits (OPEB) Trust Fund
Additions:	
In-District contributions	$ 78,000
Other local revenues	21,071
Total Additions	99,071
Deductions:	
Administrative expenses	179
Total Deductions	179
Change in net position	98,892
Total Net Position, July 1, 2016	145,238
Total Net Position, June 30, 2017	$ 244,130

See accompanying notes to basic financial statements.

(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 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

(Continued)

revenue. Investment income is accrued when earned. All other revenues are not considered susceptible to accrual.

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 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 and unfunded OPEB expense.

(e) Fund Accounting

The District's accounting system is organized and operated on the basis of funds. A fund is a separate accounting entity with a self-balancing set of accounts. Resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. A description of the activities of the various funds is provided below:

Major Governmental Funds

The District has the following major governmental funds for the fiscal year 2016-17:

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.

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 2016-17.

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, Special Reserve – FEMA-Earthquake, Special Reserve – FEMA-Hazard Mitigation, and Special Reserve – Community Redevelopment Agency. 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 2016-17.

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

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

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

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

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

(g) Cash and Investments

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

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

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

(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.

(Continued)

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.

Assets	Years
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

(k) Contracts Payable

Contracts payable includes only the portion applicable to work completed and unpaid as of June 30, 2017.

(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 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 2016-17, the District received $1,201.1 million of local property taxes, $655.9 million of EPA, and $3,590.5 million of State aid.

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

The county is responsible for assessing, collecting, and apportioning property taxes. Taxes are levied for each fiscal year on taxable real and personal property in the county. The levy is based on the assessed values as of the preceding March 1, which is also the lien date. Property taxes on the secured roll are due on November 1 and February 1, and taxes become delinquent after December 10 and April 10, respectively. Property taxes on the unsecured roll are due on the lien date (March 1), and become delinquent if unpaid by August 31.

Secured property taxes are recorded as revenue when apportioned, in the fiscal year of the levy. The county apportions secured property tax revenue in accordance with the alternate method of distributions prescribed by Section 4705 of the California Revenue and Taxation Code. This alternate method provides for crediting each applicable fund with its total secured taxes upon completion of the secured tax roll, approximately on October 1 of each year. The County Auditor reports the amount of the District's allocated property tax revenue to the California Department of Education. Property taxes are recorded as LCFF sources by the District.

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

(2) Tax and Revenue Anticipation Notes

Tax and Revenue Anticipation Notes (TRANs) are short-term debt instruments used to finance temporary cash flow deficits attributable to the uneven receipt of property taxes and other revenues during the fiscal year.

The District did not issue TRANs in fiscal years 2013-14 through 2016-17 owing to a combination of the State increasing its funding of school districts and reducing or eliminating 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 $18,638,691 difference are as follows (in thousands):

Bonds payable	$ (10,520,277)
Certificates of Participation (COPs)	(243,219)
Capital lease obligations	(1,005)
Children Center Facilities Revolving loan	(316)
Liability for compensated absences	(69,808)
Retirement bonus	(52,251)
Other Postemployment Benefits (OPEB)	(7,521,308)
Arbitrage payable	(583)
Accrued interest	(229,924)
Adjustment to reduce *total fund balances – governmental funds* to arrive at *net position – governmental activities*	$ (18,638,691)

(b) Explanation of Certain Differences Between the Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balances and the Government-wide Statement of Activities

The governmental fund statement of revenues, expenditures and changes in fund balances includes a reconciliation between *total net changes in fund balances – governmental funds* and *changes in net position of governmental activities* as reported in the accompanying government-wide statement of activities. One element of that reconciliation explains that "Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense." The details of this $200,951 difference are as follows (in thousands):

Capital related expenditures	$ 422,306
Loss on disposal	(1,448)
Depreciation expense	(621,809)
Net adjustment to decrease net changes in *total fund balances – governmental funds* to arrive at *changes in net position – governmental activities*	$ (200,951)

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 $726,679 difference are as follows (in thousands):

Debt issued or incurred:	
General Obligation Bonds	$ (1,581,685)
Principal repayments:	
General Obligation Bonds	389,995
Certificates of Participation	30,621
Refunding General Obligation Bonds	1,887,010
Children Center Facilities Loan	80
Capital Leases	658
Net adjustment to increase net changes in *total fund balances – governmental funds* to arrive at *changes in net position – governmental activities*	$ 726,679

(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 $224.2 million.

(5) Cash and Investments

Cash and investments as of June 30, 2017 are classified in the accompanying basic financial statements as follows (in thousands):

Statement of net position:	
Cash and investments	$ 5,313,629
Cash and investments held by trustee	51,997
Subtotal	5,365,626
Fiduciary funds:	
Cash and investments	164,740
Cash and investments held by trustee	244,130
Total cash and investments	$ 5,774,496

Cash and investments as of June 30, 2017 consist of the following (in thousands):

Cash on hand (cafeteria change funds)	$ 24
Deposits with financial institutions and Los Angeles County Pool	5,774,472
Total cash and investments	$ 5,774,496

Deposits with financial institutions include cash in the Los Angeles County Pooled Surplus Investment Fund ($5,313.6 million), cash held by fiscal agents or trustees ($52.0 million), cash deposited with various other financial institutions for imprest funds of schools and offices ($164.7 million), and cash deposited with trustee for other postemployment benefits ($244.1 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.

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 web site at http://ttax.co.la.ca.us/. The table below identifies some of the investment types permitted in the investment policy:

	Authorized Investment Type	Maximum Maturity	Maximum Total Par Value	Maximum Par Value per Issuer
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	$1.0 billion	$500 million/dealer
K.	Reverse Repurchase Agreement	1 year	$500 million	$250 million/broker
L.	Forwards, Futures and Options	90 days	$100 million	$50 million/counterparty
M.	Interest-Rate Swaps in conjunction with approved bonds and limited to highest credit rating categories	None	None	None
N.	Securities Lending Agreement	180 days	20% of base portfolio value (combined total value of reverse purchase agreements and securities lending)	None
O.	Supranationals in accordance with Gov. Code 53601(q)	5 years	30% of PSI portfolio	with credit rating limits

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, 2017, 47.59% of district funds in the County PSI Fund does not exceed one year. In addition, variable-rate notes that comprised 1.03% 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 a short term debt issuer, 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) while for a long-term debt issuer, the rating must be no less than A-1 from S&P, P-1 from Moody's, or F1 from 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, 2017, the County exceeded the limit on investments with maturities in excess of one year by $836.7 million but the County pool stayed within other liquidity measurements.

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.

(6) Receivables/Payables

Receivables by Fund at June 30, 2017 consist of the following (in thousands):

	General	District Bonds	Bond Interest and Redemption	Other Governmental	Internal Service Funds	Total
Taxes	$ —	$ —	$ 75,828	$ —	$ —	$ 75,828
Accrued grants and entitlements	203,237	—	—	27,450	—	230,687
Other	77,494	1,448	—	6,893	23,846	109,681
Interest and dividends	7,949	4,129	—	4,085	4,990	21,153
Total Receivables	$ 288,680	$ 5,577	$ 75,828	$ 38,428	$ 28,836	$ 437,349

Payables by Fund at June 30, 2017 consist of the following (in thousands):

	General	District Bonds	Other Governmental	Internal Service Funds	Total
Vouchers and accounts	$ 205,664	$ 27,548	$ 6,354	$ 3,342	$ 242,908
Contracts	3,848	26,296	7,078	—	37,222
Accrued payroll	211,646	3,806	10,159	834	226,445
Other	123,174	2,857	7,427	20,151	153,609
Total payables	$ 544,332	$ 60,507	$ 31,018	$ 24,327	$ 660,184

(7) Capital Assets

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

	Balance, July 1, 2016	Increases	Decreases	Balance, June 30, 2017
Governmental activities:				
Capital assets, not being depreciated:				
Sites	$ 3,095,481	$ 3,675	$ —	$ 3,099,156
Construction in progress	586,058	412,343	(365,288)	633,113
Total capital assets, not being depreciated	3,681,539	416,018	(365,288)	3,732,269
Capital assets, being depreciated:				
Improvement of sites	605,232	19,409	—	624,641
Buildings and improvements	15,347,779	200,386	—	15,548,165
Equipment	1,949,320	150,450	(4,344)	2,095,426
Total capital assets, being depreciated	17,902,331	370,245	(4,344)	18,268,232
Less accumulated depreciation for:				
Improvement of sites	(403,495)	(18,371)	—	(421,866)
Buildings and improvements	(5,146,227)	(478,033)	—	(5,624,260)
Equipment	(1,493,259)	(125,405)	4,227	(1,614,437)
Total accumulated depreciation	(7,042,981)	(621,809)	4,227	(7,660,563)
Total capital assets, being depreciated, net	10,859,350	(251,564)	(117)	10,607,669
Governmental activities capital assets, net	$ 14,540,889	$ 164,454	$ (365,405)	$ 14,339,938

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

Governmental activities:		
Instruction	$	4,220
Support services – students		164
Support services – instructional staff		1,059
Support services – general administration		118
Support services – school administration		2,623
Support services – business		2,448
Operation and maintenance of plant services		6,050
Student transportation services		8,321
Data processing services		12,422
Operation of non-instructional services		2,775
Facilities acquisition and construction services		581,609
Total depreciation expense – governmental activities	$	621,809

(8) Deferred Outflows and Inflows of Resources

District's deferred inflows and outflows of resources as of June 30, 2017 are comprised of the following (in thousands):

	Deferred Outflows		Deferred Inflows	
Debt refunding charges	$	108,614	$	20,214
Pension contributions subsequent to measurement date		513,932		–
Unamortized differences between projected and actual earnings on plan investments		1,213,151		604,530
Unamortized differences between expected and actual experience		81,855		116,207
Unamortized differences arising from changes of assumptions		–		55,119
Unamortized differences arising from change in proportion of net pension liability		85,323		265,375
Total	$	2,002,875	$	1,061,445

(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.

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.

(Continued)

Part-time, seasonal, temporary and other employees who are not members of CalPERS or CalSTRS are members of PARS.

(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, 2017, are summarized as follows:

	Safety	
Hiring date	Prior to January 1, 2013	On or after January 1, 2013
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%	12.75%
Required employer contribution rates	34.384%	34.384%

Employees Covered

At June 30, 2017, the following employees were covered by the benefit terms for the Safety Plan:

	Safety
Inactive employees or beneficiaries currently receiving the benefits	367
Inactive employees entitled to but not yet receiving benefits	146
Active employees	374
Total	887

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, 2017, the contributions to the Safety Plan amounted to $11.4 million.

Net Pension Liability

The District's net pension liability for the Safety Plan of $102.2 million at June 30, 2017 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, 2016, using an annual actuarial valuation as of June 30, 2015 rolled forward to June 30, 2016 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.

The total pension liability in the June 30, 2015 actuarial valuations were determined using the following actuarial assumptions:

	Safety
Valuation date	June 30, 2015
Measurement date	June 30, 2016
Actuarial cost method	Entry-Age Normal
Actuarial assumptions	
Discount rate	7.65%
Inflation	2.75%
Salary increases	Varies by entry age and service
Investment rate of return	7.65% (1)
Mortality rate table (2)	Derived using CalPERS' membership data for all funds
Post retirement benefit increase	Contract COLA up to 2.75% until purchasing power protection allowance floor on purchasing power applies, 2.75% thereafter

(1) Net of pension plan investment expenses; includes inflation.

(2) The mortality table used was developed based on CalPERS' specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB. For more details on this table, please refer to the 2014 Experience Study report.

All other actuarial assumptions used in the June 30, 2015 valuation were based on the results of an actuarial experience study for the period from 1997 to 2011, including updates to salary increases, mortality and retirement dates. The Experience Study report can be obtained at CalPERS' website under Forms and Publications.

Change of Assumptions

There were no changes of assumptions during the measurement period ended June 30, 2016.

Discount Rate

The discount rate used to measure the total pension liability of the Safety Plan was 7.65%. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing of the plans, the tests revealed the assets would not run out. Therefore, the current 7.65% discount rate is appropriate and the use of the municipal bond rate calculation is not deemed necessary. The long-term expected discount rate of 7.65% is applied to all plans in the PERF. The stress test results are presented in a detailed report called “GASB Crossover Testing Report” that can be obtained at CalPERS’ website under the GASB 68 section.

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.

In determining the long-term expected rate of return, CalPERS’ staff took into account both short-term and long-term market return expectations as well as the expected pension fund (PERF) cash flows. Such cash flows were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. Using historical returns of all the funds’ asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

The table below reflects long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. The target allocation shown was adopted by the CalPERS Board effective on July 1, 2014.

	Safety		
Asset Class	Current Target Allocation	Real Return Years 1 - 10 [(a)]	Real Return Years 11+ [(b)]
Global Equity	47.00%	5.25%	5.71%
Global Fixed Income	19.00	0.99	2.43
Inflation Sensitive	6.00	0.45	3.36
Private Equity	12.00	6.83	6.95
Real Estate	11.00	4.50	5.13
Infrastructure and Forestland	3.00	4.50	5.09
Liquidity	2.00	(0.55)	(1.05)
Total	100.00%		

[(a)] An expected inflation of 2.5% used for this period.

[(b)] An expected inflation of 3.0% used for this period.

Changes in the Net Pension Liability

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

	Safety		
	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability/(Asset)
Balance at June 30, 2016	$ 323,150	$ 253,464	$ 69,686
Changes recognized for the measurement period:			
Service cost	8,861	–	8,861
Interest on the total pension liability	25,394	–	25,394
Differences between expected and actual experience	11,191	–	11,191
Changes of assumptions	–	–	–
Plan to Plan Resource Movement	–	(3)	3
Contributions from the employer	–	8,701	(8,701)
Contributions from employees	–	3,064	(3,064)
Net investment income	–	1,350	(1,350)
Benefit payments, including refunds of employee contributions	(13,653)	(13,653)	–
Administrative Expense	–	(154)	154
Net changes	31,793	(695)	32,488
Balance at June 30, 2017	$ 354,943	$ 252,769	$ 102,174

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 7.65%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.65%) or 1-percentage-point higher (8.65%) than the current rate (in thousands):

	1.0% Decrease (6.65%)	Current Discount Rate (7.65%)	1.0% Increase (8.65%)
District's Net Pension Liability	$ 152,504	$ 102,174	$ 60,873

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).

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

For the year ended June 30, 2017, the District recognized pension expense of $15.9 million for the Safety Plan.

As of June 30, 2017, the District reported deferred outflows and deferred inflows of resources related to pensions (Safety Plan) as follows (in thousands):

	Safety	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Change of assumptions	$ —	$ 3,468
Differences between expected and actual experience	8,997	2,698
Net difference between projected and actual earnings on pension plan investments	22,406	8,478
District contributions subsequent to the measurement date	11,392	—
Total	$ 42,795	$ 14,644

The amounts above are net of outflows and inflows recognized in the 2015-16 measurement period expense.

The $11.4 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, 2018. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in future pension expense as follows (in thousands):

Year ended June 30	Safety Deferred Outflows (Inflows) of Resources
2018	$ 2,104
2019	2,104
2020	6,556
2021	5,775
2022	220

Payable to the Pension Plan

The District's contribution for all members to the Safety Plan for the fiscal year ended June 30, 2017 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, 2017.

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, 2017, are summarized as follows:

	Miscellaneous	
Hiring date	Prior to January 1, 2013	On or after January 1, 2013
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%	6.00%
Required employer contribution rates	13.888%	13.888%

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, 2017, the contributions to the Miscellaneous Plan amounted to $144.5 million.

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

At June 30, 2017, the District reported a net pension liability of $1.6 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, 2016, 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, 2015 rolled forward to June 30, 2016 using standard update procedures. The District's proportion of the net pension liability was based on the 2015-16 fiscal year employer contributions calculated by CalPERS. At June 30, 2016, the District's proportion was 8.3405%.

For the year ended June 30, 2017, the District recognized pension expense of $171.6 million for the Miscellaneous Plan. At June 30, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to pensions (Miscellaneous Plan) from the following sources (in thousands):

	Miscellaneous	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ 72,858	$ —
Difference between projected and actual earnings on pension plan investments	415,588	183,214
Change of assumption	—	51,651
Change in NPL proportion	—	70,073
District contributions subsequent to the measurement date	144,467	—
Total	$ 632,913	$ 304,938

The $144.5 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, 2018. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in future pension expense as follows (in thousands):

	Miscellaneous
Year ended June 30	**Deferred Outflows (Inflows) of Resources**
2018	$ (376)
2019	2,576
2020	114,598
2021	66,710

Actuarial Methods and Assumptions

The total pension liability in the June 30, 2015 actuarial valuation was determined using the following actuarial assumptions:

	Miscellaneous
Valuation date	June 30, 2015
Measurement date	June 30, 2016
Actuarial cost method	Entry-Age Normal
Actuarial assumptions	
Discount rate	7.65%
Inflation	2.75%
Salary increases	Varies by entry age and service
Investment rate of return	7.65%
Mortality rate table (1)	Derived using CalPERS' membership data for all funds
Post retirement benefit Increase	2.00% until purchasing power protection allowance floor on purchasing power applies, 2.75% thereafter

(1) The mortality table used was developed based on CalPERS' specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB. For more details on this table, please refer to the 2014 Experience Study report (based on CalPERS demographic data from 1997-2011) available online at https://www.calpers.ca.gov/docs/forms-publications/calpers-experience-study-2014.pdf.

All other actuarial assumptions used in the June 30, 2015 valuation were based on the results of an actuarial experience study for the period from 1997 to 2011, including updates to salary increase, mortality and retirement dates. The Experience Study report can be obtained at CalPERS website under Forms and Publications.

Change of Assumptions

There were no changes of assumptions during the measurement period ended June 30, 2016.

Discount Rate

The discount rate used to measure the total pension liability of the Miscellaneous Plan was 7.65%. A projection of the expected benefit payments and contributions was performed to determine if assets would run out. The test revealed the assets would not run out. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability for the Schools Pool. The results of the crossover testing for the Schools Pool are presented in a detailed report that can be obtained at CalPERS' website.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

In determining the long-term expected rate of return, CalPERS' staff took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

The table below reflects long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. The target allocation shown was adopted by the CalPERS Board effective on July 1, 2014.

	Miscellaneous		
Asset Class	Current Target Allocation	Real Return Years 1 - 10 [a]	Real Return Years 11+ [b]
Global Equity	47.00%	5.25%	5.71%
Global Fixed Income	19.00	0.99	2.43
Inflation Sensitive	6.00	0.45	3.36
Private Equity	12.00	6.83	6.95
Real Estate	11.00	4.50	5.13
Infrastructure and Forestland	3.00	4.50	5.09
Liquidity	2.00	(0.55)	(1.05)
Total	100.00%		

[a] An expected inflation of 2.5% used for this period.

[b] An expected inflation of 3.0% 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 7.65%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.65%) or 1-percentage-point higher (8.65%) than the current rate (in thousands):

	1.0% Decrease (6.65%)	Current Discount Rate (7.65%)	1.0% Increase (8.65%)
District's proportionate share of the net pension liability	$ 2,457,712	$ 1,647,254	$ 972,388

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, 2017 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, 2017.

(b) California State Teachers' Retirement System (CalSTRS)

Plan Description and Benefits Provided

The District contributes to the CalSTRS, a cost-sharing multiple-employer public employee retirement system defined benefit pension plan and a tax-deferred supplemental program established and administered by the State Teachers' Retirement Law (Section 22000 et seq.) of the California Education Code. The Teachers' Retirement Fund (TRF) is a defined benefit pension plan under the CalSTRS. The State of California is a nonemployer contributor to the TRF.

The Plan provides defined retirement benefits based on members' final compensation, age, and years of credited service. In addition, the retirement program provides benefits to members upon disability and to survivors upon the death of eligible members. Benefit provisions are established by state statutes, as legislatively amended, within the State Teachers' Retirement Law.

The Plan's provisions and benefits in effect at June 30, 2017, are summarized as follows:

Hiring Date	On or before December 31, 2012	On or after January 1, 2013
Benefit formula	2.0% @ 60	2.0% @ 62
Benefit vesting schedule	5 years service	5 years service
Benefit payments	monthly for life	monthly for life
Retirement age: Minimum	50-55 (30 years of service credit)	55 (5 years of service credit)
Monthly benefit, as a % of eligible compensation	1.1% - 2.4%	1.16% - 2.4%
Required employee contribution rates	10.25%	9.21%
Required employer contribution rates	12.58%	12.58%

Contributions

The District is required to contribute based on an actuarially determined rate using the entry age normal actuarial cost method. The actuarial methods and assumptions used for determining the rate are those adopted by the CalSTRS Teachers' Retirement Board. Required member, employer and state contribution rates are set the 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 State of California. Contribution increases will be phased in over several years with the first increases taking effect on July 1, 2014. Member contribution increases will be phased in over the next three years and increase by an additional 2.25% of payroll for CalSTRS 2% at 60 members and an additional 1.205% for CalSTRS 2% at 62 members. Employer contributions will increase from 8.25% to a total of 19.1%, phased in over the next seven years. State contributions will increase over the next three years to a total of 6.328%. AB1469 grants the Teachers Retirement Board limited rate setting authority to adjust up or down state and employer contribution rates.

For the year ended June 30, 2017, the contributions to the CalSTRS' TRF amounted to $358.1 million.

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

At June 30, 2017, the District reported a net pension liability of $4.5 billion for its proportionate share of the CalSTRS net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the 2015-16 fiscal year employer contributions calculated by CalSTRS with consideration given to separately financed and irregular employer contributions relative to the projected contributions of all participating employer and nonemployer contributing entities. At June 30, 2016, the District's proportion was 5.589%.

For the year ended June 30, 2017, the District recognized pension expense of $416.5 million. At June 30, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources (in thousands):

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ —	$ 113,509
Difference between projected and actual earnings on pension plan investments	775,157	412,838
Change in NPL proportion	85,323	195,302
District contributions subsequent to the measurement date	358,073	—
Total	$ 1,218,553	$ 721,649

The $358.1 million reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2018. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in future pension expense as follows:

Year ended June 30	Deferred Outflows (Inflows) of Resources
2018	$ (26,282)
2019	(29,984)
2020	176,435
2021	97,777
2022	(37,019)
Thereafter	(42,096)

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, 2015, and rolling forward the total pension liability to June 30, 2016. The financial reporting actuarial valuation as of June 30, 2015, used the following actuarial methods and assumptions, applied to all prior periods included in the measurement:

Valuation Date	June 30, 2015
Experience Study	July 1, 2006 through June 30, 2010
Actuarial Cost Method	Entry age normal
Investment Rate of Return*	7.60%
Consumer Price Inflation	3.00%
Wage Growth	3.75%
Post-retirement Benefit Increases	2.00% simple for Defined Benefit (Annually) Maintain 85% purchasing power level for Defined Benefit Not applicable for Defined Benefit Supplement

*Net of investment expenses, but gross of administrative expenses. CalSTRS uses a 7.5 percent assumed investment rate of return for funding purposes, which is net of administrative expenses.

CalSTRS uses custom mortality tables to best fit the patterns of mortality among its members. These custom tables are based on RP2000 series tables adjusted to fit CalSTRS experience. RP2000 series tables are an industry standard set of mortality rates published by the Society of Actuaries. CalSTRS July 1, 2006 – June 30, 2010 Experience Analysis can be obtained at the CalSTRS' website.

Discount Rate

The discount rate used to measure the total pension liability of the CalSTRS' TRF was 7.60%. 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 (7.60%) and assuming that contributions, benefit payments, and administrative expense occur midyear. 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, gross of administrative expenses, was applied to all periods of projected benefit payments to determine the total pension liability.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. The best estimate ranges were developed using capital market assumptions from CalSTRS general investment consultant (Pension Consulting Alliance - PCA) as an input to the process. The actuarial investment rate of return assumption was adopted by the Board in 2012 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 geometric real rates of return and the assumed asset allocation for each major asset class for the year ended June 30, 2016, are summarized in the following table:

Asset Class	Assumed Asset Allocation	Long-Term* Expected Real Rate of Return
Global Equity	47.00 %	6.30 %
Private Equity	13.00	9.30
Real Estate	13.00	5.20
Inflation Sensitive	4.00	3.80
Fixed Income	12.00	0.30
Absolute Return/Risk Mitigating Strategies	9.00	2.90
Cash / Liquidity	2.00	-1.00
	100.00 %	

* 20-year geometric average

Differences between expected and actual experience and changes in assumptions are amortized over a closed period equal to the average remaining service life of plan members, which is 7 years as of June 30, 2016. Deferred outflows and inflows related to differences between projected and actual earrings 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 7.6%, 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 (6.6%) or 1-percentage-point higher (8.6%) than the current rate (in thousands):

	1.0% Decrease (6.6%)	Current Discount Rate (7.6%)	1.0% Increase (8.6%)
District's proportionate share of the net pension liability	$ 6,505,931	$ 4,520,439	$ 2,871,405

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, 2017 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, 2017.

(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, 2017, there are 37,001 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 7.5% of employees' salaries, of which the District and the employees contribute 3.75% each. For the year ended June 30, 2017, the District recognized pension expense of $6.8 million. The District does not have any forfeited amounts.

The District's contributions for all members for the fiscal years ended June 30, 2017, 2016, and 2015 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 administers a single-employer defined benefit healthcare 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

(Continued)

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 ten consecutive qualifying years immediately prior to retirement.

c. Those hired from July 1, 1987 through May 31, 1992 must have served a minimum of 15 consecutive qualifying years immediately prior to retirement, or served ten consecutive qualifying years immediately prior to retirement plus an additional previous ten years which are not consecutive.

d. Those hired from June 1, 1992 through February 28, 2007 must have at least 80 years combined total of 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.

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.

In order to maintain coverage, the retirees must continue to receive a CalSTRS/CalPERS retirement allowance and retirees/spouses or domestic partners must enroll in those parts of Medicare for which they are eligible. Lack of Medicare does not impact dental or vision coverage. As of July 1, 2017, approximately 38,000 retirees now meet these eligibility requirements. The plan does not issue a separate financial report.

Funding Policy

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

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% of the unrestricted revenue.

For fiscal year 2016-17, the District contributed a total of $342.8 million to the plan including $78 million contributed to the OPEB trust. The total contribution covers a portion of the normal cost of active employees and the amortization of past service costs for both actives and retirees based on an actuarially calculated valuation.

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% excise tax on employers that carry "Cadillac healthcare plans" beginning in 2018. The tax is applied to the amount of premium in excess of stated single ($10,200) and family ($27,500) thresholds. 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.

Annual OPEB Cost and Net OPEB Obligation

The District's annual OPEB cost (expense) is calculated based on the *annual required contribution of the employer (ARC)*, an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

The following table shows the components of the District's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the District's net OPEB obligation to the plan (in thousands).

Annual required contribution	$ 1,119,554
Interest on net OPEB obligation	315,984
Adjustment to annual required contribution	(294,530)
Annual OPEB cost (expense)	1,141,008
Contributions made	(342,763)
Increase in net OPEB obligation	798,245
Net OPEB obligation – beginning of year	6,723,063
Net OPEB obligation – end of year	$ 7,521,308

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal years 2017, 2016, and 2015 were as follows (in thousands):

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2017	$ 1,141,008	30 %	$ 7,521,308
6/30/2016	1,090,749	31	6,723,063
6/30/2015	929,864	33	5,971,018

Funded Status and Funding Progress

As of July 1, 2015, the most recent actuarial valuation date, the actuarial accrued liability for benefits was $13.6 billion, and the actuarial value of assets was $90.2 million, resulting in an unfunded actuarial accrued liability (UAAL) of $13.5 billion. The covered payroll (annual payroll of active employees covered by the plan) was $3.7 billion, and the ratio of the UAAL to the covered payroll was 366%.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about the future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents information for the most recent actuarial valuation and in future years, multi-year trend information about whether the actuarial value of plan assets, if any, is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions

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

In the July 1, 2015 actuarial valuation, the actuarial method used in estimating the liability is the Level Percentage of Pay Entry Age Normal (EAN) cost method, which spreads plan costs for each participant from entry date (assuming the plan existed on the employee's hire date) to the expected retirement date. Under this EAN cost method, the plan's normal cost is developed as a level percentage of pay spread over the participants' working lifetime. The significant assumptions used in the computation include a 4.70% discount rate, inflation of 2.75% per annum, and healthcare cost trend rates in 2015 of 7.5% or 8.55% for non-Medicare advantage plans and 14.97% or 14.10% for Medicare advantage plans. The rate varies depending on the participants' choice of healthcare provider (i.e. Anthem Blue Cross, Kaiser, Health Net or UHC). Ultimately, the assumed rates decline to 5% across the board in 2025. A healthcare cost trend rate of 5% is assumed for dental and vision. The UAAL is being amortized as a level percentage of pay amortization amounts (assuming 3% annual increase) over a 30-year open amortization period.

(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, 2017.

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, 2017, the amount of the total claims liabilities recorded for health and welfare, workers' compensation, and liability self-insurance was $651.0 million. The increase in the Health and Welfare Benefits Fund is mainly attributed to the rise of medical claims utilization. The increase in the Workers' Compensation Liability Fund is primarily due to an increase in frequency and severity of new claims. The decrease in the Liability Self-Insurance Fund is mainly due to the payment of large outstanding claims from prior fiscal years. Changes in the reported liabilities since July 1, 2015 are summarized as follows (in thousands):

	Beginning of Fiscal Year Liability	**Current Year Claims and Changes in Estimates**	**Claim Payments**	**End of Fiscal Year Liability**
2016-2017				
Health and welfare benefits	$ 21,399	$ 248,750	$ (247,242)	$ 22,907
Workers' compensation self-insurance	492,387	104,385	(101,124)	495,648
Liability self-insurance	213,758	36,680	(118,030)	132,408
Total	$ 727,544	$ 389,815	$ (466,396)	$ 650,963
2015-2016				
Health and welfare benefits	$ 23,306	$ 256,346	$ (258,253)	$ 21,399
Workers' compensation self-insurance	484,091	110,766	(102,470)	492,387
Liability self-insurance	213,313	165,643	(165,198)	213,758
Total	$ 720,710	$ 532,755	$ (525,921)	$ 727,544

(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, 2017 are as follows (in thousands):

COP Issue	Sale Date	Original Principal Amount	Outstanding June 30, 2017	Interest Rates to Maturity Min	Interest Rates to Maturity Max	Final Maturity
2005 Qualified Zone Academy Bonds	12/13/2005	$ 10,000	$ 10,000	N/A	N/A	2020
2007A Information Technology Projects	11/15/2007	99,660	8,215	5.000 %	5.000 %	2017
2010A Multiple Properties Project	1/27/2010	69,685	16,480	4.000	5.000	2017
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, Captial Projects I	12/21/2010	61,730	27,530	4.000	5.750	2020
2012A Refunding Headquarters Building Projects	6/12/2012	87,845	61,810	3.750	5.000	2031
2012B Refunding Headquarters Building Projects	6/12/2012	72,345	70,600	2.125	5.000	2031
2013A Refunding Lease	6/24/2013	24,780	19,260	2.290	2.290	2028
			$ 235,510 *			

* The total amount shown above excludes net unamortized premium of $7.7 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 principal amounts of its COPs and refunding COPs by placing proceeds of refunding COPs and general obligation bonds into irrevocable escrow funds to provide for all future debt service payments on the refunded and defeased COPs and refunding COPs. Accordingly, the escrow account assets and the liability for the defeased COPs are not included in the District's financial statements. As of June 30, 2017, $3.9 million of the defeased COPs are still outstanding.

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, 2017, a total of $7.4 million of accumulated sinking fund payments have been made, which reflects the portion of the COPs that are considered economically defeased.

Other Leasing Arrangements

The District has entered into various lease agreements ranging from three to five years to finance the acquisition of office and transportation equipment. These lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of their future minimum lease payments as of the inception date. The future minimum lease payments (principal plus interest) and the net present value of these minimum lease payments (principal only) are detailed in Note 12 – Long-Term Obligations.

The District's operating leases consist of various leased facilities. The leased facilities have varying terms ranging from five years to 80 years. Some leases are month to month. The leases expire over the next 66 years subject to renewal option provisions.

The total expenditure for all operating leases amounted to $7.8 million in fiscal year 2016-17. The future minimum commitments for noncancelable operating lease of the District as of June 30, 2017 are as follows (in thousands):

Fiscal year ending	Amount
2018	$ 7,111
2019	4,746
2020	4,618
2021	2,813
2022	2,182
2023-2027	10,704
2028-2032	10,403
2033-2037	11,843
2038-2042	11,599
2043-2047	9,766
2048-2052	10,523
2053-2057	11,618
2058-2062	12,827
2063-2067	14,162
2068-2072	15,636
2073-2077	17,263
2078-2082	19,060
2083-2087	1,453
	$ 178,327

(12) Long-Term Obligations

The following is a summary of changes in long-term obligations for the year ended June 30, 2017 (in thousands):

	Balance, July 1, 2016	Additions	Deductions	Other Changes**	Balance, June 30, 2017	Due Within One Year	Interest Expense
General Obligation Bonds*	$ 10,964,007	$ 1,581,685	$ 2,224,190	$198,775	$ 10,520,277	$ 526,541	$416,765
Certificates of Participation (Note 11)*	275,755	–	30,621	(1,915)	243,219	41,026	10,379
Capital Lease Obligations	1,367	296	658	–	1,005	411	50
Children Center Facilities Revolving Loan	396	–	80	–	316	79	–
Liability for Compensated Absences	70,555	74,376	74,266	–	70,665	344	–
Liability for Other Employee Benefits	55,515	3,347	6,611	–	52,251	1,907	–
Self-Insurance Claims (Note 10)	727,544	389,815	466,396	–	650,963	207,251	–
Net Pension Liability	5,346,427	923,440	–	–	6,269,867	–	–
Other Postemployment Benefits	6,723,063	1,141,008	342,763	–	7,521,308	–	–
Arbitrage Payable	–	583	–	–	583	–	–
Total	$ 24,164,629	$ 4,114,550	$ 3,145,585	$196,860	$ 25,330,454	$ 777,559	$427,194

* 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 Principal	General Obligation Bonds Interest	Capital Lease Obligations/ Certificates of Participation Principal	Capital Lease Obligations/ Certificates of Participation Interest	Other Loans Principal	Total Principal	Total Interest
2018	$ 413,405	$ 471,644	$ 39,946	$ 10,436	$ 79	$ 453,430	$ 482,080
2019	404,675	473,383	15,756	9,096	79	420,510	482,479
2020	385,640	453,869	16,344	8,306	79	402,063	462,175
2021	407,680	434,891	26,859	7,498	79	434,618	442,389
2022	432,655	414,881	10,715	6,829	—	443,370	421,710
2023-2027	3,070,130	1,721,803	56,355	26,172	—	3,126,485	1,747,975
2028-2032	2,493,195	983,301	63,030	11,340	—	2,556,225	994,641
2033-2037	2,047,655	231,649	7,510	1,266	—	2,055,165	232,915
2038-2041	160,075	14,950	—	—	—	160,075	14,950
	$ 9,815,110	$ 5,200,371	$ 236,515	$ 80,943	$ 316	$ 10,051,941	$ 5,281,314

The General Obligation (GO) Bonds outstanding balance as of June 30, 2017 consists of the following (in thousands):

Bond Issue	Sale Date	Original Principal Amount	Outstanding June 30, 2017	Interest Rates to Maturity Min	Interest Rates to Maturity Max	Final Maturity
2002 Refunding	4/17/2002	$ 258,375	$ 15,215	5.75%	5.75%	2017
2005A-1 Refunding	7/20/2005	346,750	71,850	5.50	5.50	2018
2005A-2 Refunding	7/20/2005	120,925	14,790	5.50	5.50	2018
2007A-1 Refunding	1/31/2007	1,153,195	4,225	4.00	4.00	2017
Election of 2002, B (2007)	2/22/2007	500,000	17,510	4.00	5.00	2017
Election of 2002, C (2007)	8/16/2007	150,000	4,840	4.00	4.00	2017
Election of 2004, H (2007)	8/16/2007	550,000	17,560	5.00	5.00	2017
Election of 2005, E (2007)	8/16/2007	300,000	9,700	5.00	5.00	2017
Election of 2002, D (2009)	2/19/2009	250,000	200,950	4.00	5.30	2034
Election of 2004, I (2009)	2/19/2009	550,000	434,655	5.00	5.25	2034
Election of 2005, F (2009)	2/19/2009	150,000	120,905	3.60	5.25	2034
KRY (2009-BAB)	10/15/2009	1,369,800	1,369,800	5.75 (a)	5.76 (a)	2034
KRY (2009-TE)	10/15/2009	205,785	51,535	4.00	5.00	2020
2009A Refunding	10/15/2009	74,765	24,095	4.00	5.00	2019
Election of 2005, H (2009)	10/15/2009	318,800	318,800	1.54	1.54	2025
KRY (2010-TE)	3/4/2010	478,575	432,865	4.00	5.25	2034
RY (2010-BAB)	3/4/2010	1,250,585	1,250,585	6.76 (a)	6.76 (a)	2034
KY (2010)	5/6/2010	159,495	29,100	3.00	5.00	2018
Election of 2005, J-1 (2010)	5/6/2010	190,195	190,195	5.98	5.98	2027
Election of 2005, J-2 (2010)	5/6/2010	100,000	100,000	5.72	5.72	2027
2011A-1 Refunding	11/1/2011	206,735	146,935	3.00	5.00	2024
2011A-2 Refunding	11/1/2011	201,070	146,930	4.00	5.00	2023
2012A Refunding	5/8/2012	156,000	139,510	2.00	5.00	2028
2014A Refunding	6/26/2014	196,850	142,415	5.00	5.00	2022
2014B Refunding	6/26/2014	323,170	323,170	5.00	5.00	2026
2014C Refunding	6/26/2014	948,795	934,275	2.00	5.00	2031
2014D Refunding	6/26/2014	153,385	153,385	5.00	5.00	2030
Election of 2004, J (2014)	8/19/2014	68,170	12,285	5.00	5.00	2017
Election of 2005, K (2014)	8/19/2014	35,465	14,480	1.00	5.00	2020
Election of 2004, K (2014)	8/19/2014	7,045	1,235	1.10	1.10	2017
Election of 2005, L (2014)	8/19/2014	25,150	4,410	1.10	1.10	2017
2015A Refunding	5/28/2015	326,045	318,085	5.00	5.00	2025
Election of 2008, A (2016)	4/5/2016	648,955	648,955	3.00	5.00	2040
2016A Refunding	4/5/2016	577,400	568,180	3.00	5.00	2030
2016B Refunding	9/15/2016	500,855	500,855	2.00	5.00	2032
2017A Refunding	5/25/2017	1,080,830	1,080,830	2.00	5.00	2027
			$ 9,815,110 *			

* The total amount shown above excludes unamortized premium and discount of $705.2 million.
(a) Issued under Build America Bonds (BABs), a taxable bond program for which the federal government initially subsidized 35% of the interest cost.

On September 15, 2016, the District issued $500.9 million of 2016 General Obligation Refunding Bonds, Series B to advance refund the callable portion of the outstanding General Obligation Bonds Election of 2002, Series B (2007), General Obligation Bonds Election of 2002, Series C (2007), General Obligation

Bonds Election of 2004, Series H (2007) and General Obligation Bonds Election of 2005, Series E (2007). These refunded bonds have an aggregate par amount of $563.0 million. The Refunding Bonds received underlying ratings of “Aa2”, “AAA” and “AA+” from Moody’s, Fitch and KBRA, respectively. The refunding generated gross savings of $166.5 million. Net present value savings were $140.2 million or 24.90% of the refunded par amount.

On May 25, 2017, the District issued $1,081.8 million of 2017 General Obligation Refunding Bonds, Series A to refund, on a current basis and defease a portion of the Measure K 2007 Refunding Bonds, Series 2007 A-1, Proposition BB 2007 Refunding Bonds, Series A-2 and Series B. These refunded bonds have an aggregate par amount of $1,271.2 million. The Refunding Bonds were sold by negotiated sale with underlying ratings of “Aa2” and “AAA” from Moody’s and Fitch, respectively. The refunding generated gross savings of $258.4 million over the life of the bonds. Net present value savings were $220.7 million or 17.36% savings of the refunded bonds.

In prior years, the District defeased certain principal amounts of its GO bonds by placing proceeds of refunding bonds in an irrevocable escrow fund to provide for all future debt service payments on the refunded and defeased bonds. Accordingly, the escrow account assets and the liability for the defeased GO Bonds are not included in the District's financial statements. As of June 30, 2017, $2,351.7 million of the defeased GO Bonds are still outstanding.

The Children Center Facilities revolving loan represents loan proceeds from the State Child Development Revolving Fund for the purchase of relocatable buildings, sites and site improvements for child care facilities. The loan, which does not incur interest charges, must be repaid in ten 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. In March 2017, the District submitted payment totaling $1.018 million to IRS representing the net rebate and yield restriction liability amount accrued with respect to General Obligation Bonds, Election of 2004, Series F (2006), Election of 2005, Series A, B, & C (2006) and General Obligation Refunding Bonds, Series 2006A as of the end of the final computation period together with interest. As of June 30, 2017, the District has recognized a positive net rebate liability and yield restriction liability of $583,188 on the General Obligation Bonds, Election of 2004, Series J (2014) and Election of 2005, Series K (2014). However, no arbitrage or yield reduction payment is due to IRS in the next fiscal year and as such, no liability was accrued in the fund statement.

Debt Liquidation

Payments on the General Obligation Bonds and Certificates of Participation are made by the debt service funds. The employee benefits liability for retirement bonus are all paid out of the General Fund, while the compensated absences portion will be liquidated from different governmental funds and proprietary funds. In fiscal year 2017, approximately 92% of compensated absences has been paid by the General Fund, 7% by the District Bonds Fund, and 1% by the proprietary funds.

The self-insurance claims and other postemployment benefits will generally be liquidated through the internal service funds which will finance the payment of those claims and benefits by charging user funds. The General Fund assumes 100% of liability self-insurance claims. For workers' compensation and health benefit claims, including retiree health benefits, the General Fund currently bears approximately 89% of the cost, while the Cafeteria Fund carries 5%; 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, 2017 are as follows (in thousands):

Fund Group	Fund	Interfund Receivables	Interfund Payables
General	Unrestricted	$ 27,000	$ —
	Total General	27,000	—
Special Revenue	Child Development	—	27,000
	Total Special Revenue	—	27,000
	Total Interfund Receivables/Payables	$ 27,000	$ 27,000

(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, 2017 were as follows (in thousands):

From	To	Purpose	Amount
General	Adult Education	Adult education	$ 10,619
General	Cafeteria	Cafeteria support	3,772
General	Child Development	Child development support	31,161
General	Capital Services	Debt service	33,099
General	Building – Measure K	Reimbursement of capital expenditures	46
General	Building – Measure Q	Reimbursement of capital expenditures	37
Special Reserve	General	Reimbursement of capital expenditures	67
Special Reserve	Building – Measure K	Reimbursement of capital expenditures	226
Special Reserve	Building – Measure Q	Reimbursement of capital expenditures	20
Special Reserve	Building – Measure R	Reimbursement of capital expenditures	2
Special Reserve	Building – Measure Y	Reimbursement of capital expenditures	35
Special Reserve	County School Facilities Bonds – Prop 47	Reimbursement of capital expenditures	80
Special Reserve	Capital Services	Reimbursement of capital expenditures	1
Special Reserve – CRA	General	Reimbursement of capital expenditures	20,000
Special Reserve – CRA	Building – Measure K	Reimbursement of capital expenditures	115
Special Reserve – CRA	Building – Measure R	Reimbursement of capital expenditures	5
Capital Facilities	Capital Services	Debt service	9,571
Capital Facilities	Building – Measure K	Reimbursement of capital expenditures	55
Building – Bond Proceeds	General	Reimbursement of capital expenditures	837
Building – Bond Proceeds	County School Facilities Bonds – Prop 47	Reimbursement of capital expenditures	1,089
Building – Measure K	General	Reimbursement of capital expenditures	292
Building – Measure K	Building – Measure R	Reimbursement of capital expenditures	218
Building – Measure K	Building – Measure Y	Reimbursement of capital expenditures	17
Building – Measure K	County School Facilities Bonds – Prop 47	Reimbursement of capital expenditures	178
Building – Measure Q	General	Reimbursement of capital expenditures	10,187
Building – Measure Q	Cafeteria	Reimbursement of capital expenditures	484
Building – Measure Q	Building – Measure K	Reimbursement of capital expenditures	518
Building – Measure Q	Building – Measure R	Reimbursement of capital expenditures	4,380
Building – Measure Q	Building – Measure Y	Reimbursement of capital expenditures	4
Building – Measure Q	Special Reserve	Reimbursement of capital expenditures	458
Building – Measure R	General	Reimbursement of capital expenditures	541
Building – Measure R	Special Reserve	Reimbursement of capital expenditures	606
Building – Measure R	Building – Bond Proceeds	Reimbursement of capital expenditures	55
Building – Measure R	Building – Measure K	Reimbursement of capital expenditures	622
Building – Measure R	Building – Measure Y	Reimbursement of capital expenditures	37
Building – Measure R	Building – Measure Q	Reimbursement of capital expenditures	16
Building – Measure R	County School Facilities Bonds – Prop 47	Reimbursement of capital expenditures	3,155
Building – Measure Y	General	Reimbursement of capital expenditures	3,195
Building – Measure Y	Building – Measure K	Reimbursement of capital expenditures	599
Building – Measure Y	Building – Measure R	Reimbursement of capital expenditures	46
Building – Measure Y	County School Facilities Bonds – Prop 47	Reimbursement of capital expenditures	1,037
County School Facilities Bonds – Prop 47	General	Reimbursement of capital expenditures	2,180
County School Facilities Bonds – Prop 47	Special Reserve	Reimbursement of capital expenditures	1
County School Facilities Bonds – Prop 47	Capital Facilities	Reimbursement of capital expenditures	6,718
County School Facilities Bonds – Prop 47	Building – Bond Proceeds	Reimbursement of capital expenditures	2,018
County School Facilities Bonds – Prop 47	Building – Measure K	Reimbursement of capital expenditures	74,710
County School Facilities Bonds – Prop 47	Building – Measure Y	Reimbursement of capital expenditures	338
County School Facilities Bonds – Prop 47	Building – Measure R	Reimbursement of capital expenditures	14,010
County School Facilities Bonds – Prop 47	Building – Measure Y	Reimbursement of capital expenditures	18,914
Total			$ 256,371

(14) Fund Equity

The following is a summary of nonspendable, restricted, assigned, and unassigned fund balances at June 30, 2017 (in thousands):

	General	District Bonds	Bond Interest and Redemption	Other Governmental
Nonspendable:				
Revolving cash and imprest funds	$ 2,756	$ 3,625	$ —	$ 32
Inventories	18,581	—	—	10,509
Prepaids	2,166	—	—	148
Total Nonspendable Balances	23,503	3,625	—	10,689
Restricted for:				
Child Nutrition: School Programs	—	—	—	53,511
Medi-Cal Billing Options	4,780	—	—	—
FEMA Public Assistance Funds	132	—	—	1,656
California Clean Energy Jobs Act	98,020	—	—	—
Educator Effectiveness	24,638	—	—	—
School Mental Health Medi-Cal Rehabilitation	5,143	—	—	—
Medi-Cal Electronic Health Record Incentive	584	—	—	—
English Language Acquisition Program, Teacher Training & Student Assistance	2,544	—	—	—
Special Education	3,333	—	—	—
College Readiness Block Grant	16,355	—	—	—
State School Facilities Projects	—	—	—	299,400
Employment Training Panel-Regional Occupational Centers and Programs	451	—	—	—
Ongoing and Major Maintenance Account	4,047	—	—	—
Prop 84 Stormwater Grant Reimbursement	—	—	—	721
CDE Grant Olive Vista Middle School	—	—	—	4
Division of State Architect Certification/Close out	—	—	—	1,594
Capital Projects	—	—	—	133,564
B.E.S.T. Behavior – Special Education	205	—	—	—
KLCS – Capital Improvements	1,662	—	—	—
Clean Cities Grant	86	—	—	—
Cognitive Behavioral Intervention Therapy	112	—	—	—
DWP Pilot Efficiency Activities	962	—	—	—
Adult Education Block Grant Program	—	—	—	15,459
Adult Education Block Grant Data & Accountability	—	—	—	2,453
Debt Service Reserve	—	—	764,293	57,911
District Bonds	—	684,957	—	—
Total Restricted Balances	163,054	684,957	764,293	566,273
Assigned to:				
Subsequent year expenditures	783,906	4,184	—	261,875
Unassigned:				
Reserved for economic uncertainties	73,411	—	—	—
Unassigned	721,269	—	—	—
Total Fund Balances	$ 1,765,143	$ 692,766	$ 764,293	$ 838,837

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.

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

Unassigned fund balances represent all other spendable amounts.

General Fund is the only fund that reports a positive unassigned fund balance, as it is not appropriate to report a positive unassigned fund balance in other governmental funds except where expenditures incurred for specific purposes exceed the amounts that are restricted, committed or assigned for those purposes. In such case, a negative unassigned fund balance may be reported.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the District considers restricted funds to have been spent first. When an expenditure is incurred for which amounts in any of the unrestricted classifications of fund balance could be used, the District considers assigned amounts to be reduced first, before the unassigned amounts.

Minimum Fund Balance Policy

As part of the Budget and Finance Policy, the governing board has adopted a minimum fund balance policy for the General Fund in order to avoid the need for service level reductions in the event that an economic downturn causes revenues to be substantially lower than what was budgeted. The policy requires the District to maintain a reserve for economic uncertainty consisting of unassigned amounts equal to at least 1% of total General Fund expenditures and other financing uses. In the event that the District must expend all or part of this reserve, the District will identify and implement a budgetary plan to replenish this reserve the following year. This reserve may be adjusted based on changes to legal requirement.

It is also a policy that the Total General Fund balance be maintained at a minimum level of 5% of Total General Fund expenditures and transfers out. In the event that the General Fund balance falls below this level, all one-time monies will be set-aside until the 5% minimum reserve threshold is met. In addition, other recommendations may be developed to restore reserve balances.

(15) Contingencies and Commitments

(a) General

The District, as well as current and former Board Members and employees to whom the District has defense and indemnification responsibilities under the Government Code, has been named as defendants in numerous lawsuits, administrative proceedings and arbitrations. These seek, among other things, to require the District to reinstate terminated, demoted, suspended, and laid-off employees, to remedy alleged noncompliance regarding special education schools, and to change existing instructional programs, pupil integration methods, and employment and administration procedures. In many proceedings, monetary damages are sought including, for example, claims for retroactive pay and benefits and future pay and benefits. Based on the opinion of counsel, management believes that the ultimate outcome of such lawsuits will not have a material effect on the District's financial condition.

(Continued)

(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 2016-17 the District entered into approximately 102 contracts with a combined value of $368.0 million. The durations of the contracts range from two month to three years.

REQUIRED SUPPLEMENTARY INFORMATION

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LOS ANGELES UNIFIED SCHOOL DISTRICT
Required Supplementary Information
Schedule of Funding Progress for Postemployment Healthcare Benefits
Year Ended June 30, 2017
(Dollar amounts in thousands)

Actuarial Valuation Date	Actuarial Value of Assets (AVA)	Actuarial Accrued Liability (Entry Age Normal) (AAL)	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
7/1/2011	$ —	$ 11,154,190	$ 11,154,190	0.00%	$ 4,600,000	242%
7/1/2013	—	10,901,982	10,901,982	0.00%	4,600,000	237%
7/1/2015	90,156	13,648,716	13,558,560	0.66%	3,700,000	366%

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, 2017
(Dollar amounts in thousands)

	2014-2015	2015-2016	2016-2017
Total Pension Liability			
Service Cost	$ 8,284	$ 8,240	$ 8,861
Interest on total pension liability	22,121	23,128	25,394
Differences between expected and actual experience	—	(4,558)	11,191
Changes in assumptions	—	(5,860)	—
Changes in benefits	—	—	—
Benefit payments, including refunds of employee contributions	(12,325)	(12,853)	(13,654)
Net change in total pension liability	18,080	8,097	31,792
Total pension liability – beginning	296,973	315,053	323,150
Total pension liability – ending (a)	315,053	323,150	354,943
Plan fiduciary net position			
Contributions – employer	8,341	9,347	8,701
Contributions – employee	2,717	2,825	3,064
Net investment income (net of administrative expenses)	37,066	5,184	1,196
Benefit payments	(12,325)	(12,853)	(13,654)
Plan to Plan Resource Movement	—	1	(3)
Net change in plan fiduciary net position	35,799	4,505	(696)
Plan fiduciary net position – beginning	213,160	248,959	253,465
Plan fiduciary net position – ending (b)	248,959	253,464	252,769
Net pension liability – ending (a) - (b)	$ 66,094	$ 69,686	$ 102,174
Plan fiduciary net position as a percentage of the total pension liability	79.02%	78.44%	71.21%
Covered – employee payroll	$ 26,213	$ 27,384	$ 31,786
Net pension liability as percentage of covered – employee payroll	252.14%	254.48%	321.45%

* Fiscal year 2014-15 was the first year of implementation, therefore only three 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, 2017
(Dollar amounts in thousands)

	2014-2015	2015-2016	2016-2017
Actuarially determined contribution	$ 9,342	$ 10,397	$ 11,392
Contributions in relation to the actuarially determined contributions	(9,342)	(10,397)	(11,392)
Contribution deficiency (excess)	$ —	$ —	$ —
Covered – employee payroll	$ 39,837	$ 42,476	$ 43,788
Contributions as a percentage of covered – employee payroll	23.45%	24.48%	26.02%

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
Actuarial 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
Asset valuation method	15 Year Smoothed Market	Market Value of Assets	Market Value of Assets
Inflation	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
Payroll Growth	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%
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.
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.

* Fiscal year 2014-15 was the first year of implementation, therefore only three 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, 2017
(Dollar amounts in thousands)

1. Schedule of District Proportionate Share of the Net Pension Liability and Related Ratios

	2014-2015	2015-2016	2016-2017
District's proportion of the net pension liability (asset)	9.3936%	8.7047%	8.3405%
District's proportionate share of the net pension liability (asset)	$ 1,066,402	$ 1,283,081	$ 1,647,254
District's covered-employee payroll	839,116	1,016,759	1,078,634
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	127.09%	126.19%	152.72%
Plan fiduciary net position as a percentage of the total pension liability	83.38%	79.43%	73.90%

2. Schedule of District Contributions

	2014-2015	2015-2016	2016-2017
Contractually required contribution District contributions	$ 113,398	$ 119,193	$ 144,467
Contributions in relation to the contractually required contribution	113,398	119,193	144,467
Contribution deficiency (excess)	$ —	$ —	$ —
District's covered-employee payroll	1,016,759	1,078,634	1,108,784
Contributions as a percentage of covered-employee payroll	11.15%	11.05%	13.03%

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
Actuarial cost method	Entry Age Normal	Entry Age Normal	Entry Age Normal
Amortization method	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.
Asset valuation method	Actuarial value of Assets	Market value of Assets	Market value of Assets
Inflation	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
Investment rate of return	7.50%	7.50%	7.50%
Retirement age	CalPERS Experience Study	CalPERS Experience Study	CalPERS Experience Study
Mortality	The probabilities of mortality are based on the most recent CalPERS Experience Study adopted by the CalPERS Board, first used in the 6/30/09 Valuation. Post-retirement mortality rates include 5 years of projected on-going mortality improvement using Scale AA published by the Society of Actuaries until June 30, 2010.	The probabilities of mortality are based on the most recent CalPERS Experience Study adopted by the CalPERS Board, first used in the 6/30/09 Valuation. Post-retirement mortality rates include 5 years of projected on-going mortality improvement using Scale AA published by the Society of Actuaries until June 30, 2010.	The probabilities of mortality are based on the most recent CalPERS Experience Study adopted by the CalPERS Board, first used in the 6/30/15 Valuation. Post-retirement mortality rates include 20 years of projected on-going mortality improvements using Scale BB published by the Society of Actuaries.

* Fiscal year 2014-15 was the first year of implementation, therefore only three 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, 2017
(Dollar amounts in thousands)

1. Schedule of District Proportionate Share of the Net Pension Liability and Related Ratios

	2014-2015	2015-2016	2016-2017
District's proportion of the net pension liability (asset)	5.7380%	5.9320%	5.5890%
District's proportionate share of the net pension liability (asset)	$ 3,353,000	$ 3,993,660	$ 4,520,439
District's covered-employee payroll	2,585,154	2,771,643	2,834,892
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	129.70%	144.09%	159.46%
Plan fiduciary net position as a percentage of the total pension liability	76.52%	74.02%	70.04%

2. Schedule of District Contributions

	2014-2015	2015-2016	2016-2017
Contractually required contribution District contributions	$ 245,474	$ 302,716	$ 358,073
Contributions in relation to the contractually required contribution	245,474	302,716	358,073
Contribution deficiency (excess)	$ —	$ —	$ —
District's covered-employee payroll	2,771,643	2,834,892	2,865,305
Contributions as a percentage of covered-employee payroll	8.86%	10.68%	12.50%

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
Actuarial cost method	Entry Age Normal	Entry Age Normal	Entry Age Normal
Amortization method	Level Percent of Payroll	Level Percent of Payroll	Level Percent of Payroll
Remaining amortization period	30 years	32 years	31 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
Inflation	3.00%	3.00%	3.00%
Salary increases	3.75%	3.75%	3.75%
Investment rate of return	7.50%	7.50%	7.50%
Retirement age	Experience Tables	Experience Tables	Experience Tables
Mortality	RP-2000 Series Table	RP-2000 Series Table	RP-2000 Series Table

* Fiscal year 2014-15 was the first year of implementation, therefore only three 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, 2017
(in thousands)

	Budget			Variance with Final Budget – Favorable
	Original	**Final**	**Actual**	**(Unfavorable)**
Revenues:				
Other local revenues	$ 7,490	$ 7,490	$ 15,000	$ 7,510
Total Revenues	7,490	7,490	15,000	7,510
Expenditures:				
Current:				
Classified salaries	126,795	175,693	57,454	118,239
Employee benefits	46,154	78,501	26,082	52,419
Books and supplies	11,523	46,374	2,016	44,358
Services and other operating expenditures	1,108	98,018	25,936	72,082
Capital outlay	560,744	468,429	291,627	176,802
Total Expenditures	746,324	867,015	403,115	463,900
Excess (Deficiency) of Revenues Over (Under) Expenditures	(738,834)	(859,525)	(388,115)	471,410
Other Financing Sources (Uses):				
Transfers in	—	117,044	117,043	(1)
Transfers out	(8,000)	(51,070)	(28,571)	22,499
Issuance of bonds	1,042,140	1,042,140	—	(1,042,140)
Total Other Financing Sources (Uses)	1,034,140	1,108,114	88,472	(1,019,642)
Net Changes in Fund Balances	295,306	248,589	(299,643)	(548,232)
Fund Balances, July 1, 2016	946,420	992,409	992,409	—
Fund Balances, June 30, 2017	$ 1,241,726	$ 1,240,998	$ 692,766	$ (548,232)

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, 2017
(in thousands)

	Budget			Variance with Final Budget – Favorable
	Original	**Final**	**Actual**	**(Unfavorable)**
Revenues:				
Federal revenues	$ 68,737	$ 68,737	$ 68,700	$ (37)
Other state revenues	5,230	5,230	3,803	(1,427)
Other local revenues	814,797	814,797	800,269	(14,528)
Total Revenues	888,764	888,764	872,772	(15,992)
Expenditures:				
Debt service – principal	340,161	390,967	389,995	972
Debt service – refunding bond issuance cost	—	4,000	3,793	207
Debt service – bond, COPs, and capital leases interest	548,603	523,909	499,870	24,039
Total Expenditures	888,764	918,876	893,658	25,218
Excess (Deficiency) of Revenues Over (Under) Expenditures	—	(30,112)	(20,886)	9,226
Other Financing Sources (Uses):				
Issuance of refunding bonds	—	1,581,685	1,581,685	—
Payment to refunded bond escrow agent	—	(1,887,011)	(1,887,011)	—
Premium on refunding bonds issued	—	309,119	310,714	1,595
Discount on refunding bonds issued	—	—	(1,595)	(1,595)
Total Other Financing Sources	—	3,793	3,793	—
Net Changes in Fund Balances	—	(26,319)	(17,093)	9,226
Fund Balances, July 1, 2016	838,780	781,386	781,386	—
Fund Balances, June 30, 2017	$ 838,780	$ 755,067	$ 764,293	$ 9,226

See accompanying independent auditor's report.

LOS ANGELES UNIFIED SCHOOL DISTRICT

Nonmajor Governmental Funds

Special Revenue Funds

The Adult Education Fund is used to account for resources committed to the operation of Community Adult Schools including educational programs funded by other government agencies. This Fund was established as authorized by State Education Code Section 42238. Revenues are primarily derived from State apportionments, federal subventions, investment income, and adult education fees.

The Child Development Fund is used to account for resources committed to the operation of the District's child development programs. Revenues are primarily derived from federal and state grants and apportionments, early education center fees, and investment income.

The Cafeteria Fund is used to account for resources designated for the operation of the District's food services programs. Revenues are primarily derived from federal and state subsidies, food sales, and investment income. Since the primary source of revenues is from federal and state subsidies rather than food sales, this fund is classified as a Special Revenue Fund rather than as an Enterprise Fund.

Debt Service Funds

The Tax Override Fund is used to account for the accumulation of resources from ad valorem tax levies for the repayment of State School Building Aid Fund apportionments. The loan was paid in full in May 2010.

The Capital Services Fund is used to account for the accumulation of resources for the repayment of principal and interest on Certificates of Participation and long-term capital lease agreements. Revenues are derived primarily from operating transfers from user funds and investment income.

Capital Projects Funds

The Building Fund is used to account for revenue from rentals and leases of real property and other resources designated for facility expansion.

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

The State School Building Lease - Purchase Fund is used to account for State apportionments received in accordance with State Education Code Sections 17700-17780. Projects are funded by the State subject to appropriation of funds in the State Budget. The District may be required to transfer to this fund any available moneys from other funds as the District's contribution to a particular project.

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

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

The Special Reserve Fund – FEMA-Earthquake is used to account for funds received from the Federal Emergency Management Agency (FEMA) for capital outlay projects resulting from the January 17, 1994 Northridge Earthquake.

LOS ANGELES UNIFIED SCHOOL DISTRICT

Nonmajor Governmental Funds

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

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

LOS ANGELES UNIFIED SCHOOL DISTRICT
Nonmajor Governmental Funds
Combining Balance Sheet
June 30, 2017
(in thousands)

	Special Revenue			
Assets:	**Adult Education**	**Child Development**	**Cafeteria**	**Total**
Cash in county treasury, in banks, and on hand	$ 31,973	$ 28,695	$ 44,192	$ 104,860
Cash held by trustee	—	—	—	—
Accounts receivable – net	9,491	3,714	14,917	28,122
Accrued interest receivable	197	44	99	340
Prepaids	—	—	148	148
Inventories	—	—	10,508	10,508
Total Assets	41,661	32,453	69,864	143,978
Deferred Outflows of Resources	—	—	—	—
Total Assets and Deferred Outflows of Resources	$ 41,661	$ 32,453	$ 69,864	$ 143,978
Liabilities and Fund Balances:				
Vouchers and accounts payable	$ 2,446	$ 518	$ 2,254	$ 5,218
Contracts payable	17	—	—	17
Accrued payroll	3,262	4,347	2,342	9,951
Other payables	1,377	5	160	1,542
Due to other funds	—	27,000	—	27,000
Unearned revenue	195	188	940	1,323
Total Liabilities	7,297	32,058	5,696	45,051
Deferred Inflows of Resources	—	—	—	—
Fund Balances:				
Nonspendable	31	1	10,657	10,689
Restricted	17,912	—	53,511	71,423
Assigned	16,421	394	—	16,815
Total Fund Balances	34,364	395	64,168	98,927
Total Liabilities, Deferred Inflows of Resources and Fund Balances	$ 41,661	$ 32,453	$ 69,864	$ 143,978

See accompanying independent auditors' report.

Debt Service		
Tax Override	Capital Services	Total
$ 393	$ 10,658	$ 11,051
—	46,804	46,804
—	—	—
2	54	56
—	—	—
—	—	—
395	57,516	57,911
—	—	—
$ 395	$ 57,516	$ 57,911
$ —	$ —	$ —
—	—	—
—	—	—
—	—	—
—	—	—
—	—	—
—	—	—
—	—	—
—	—	—
395	57,516	57,911
—	—	—
395	57,516	57,911
$ 395	$ 57,516	$ 57,911

(Continued)

LOS ANGELES UNIFIED SCHOOL DISTRICT
Nonmajor Governmental Funds
Combining Balance Sheet (Continued)
June 30, 2017
(in thousands)

	Capital			
Assets:	**Building**	**Capital Facilities Account**	**State School Building Lease – Purchase**	**County School Facilities Bonds**
Cash in county treasury, in banks, and on hand	$ 8,793	$ 229,695	$ 12,163	$ 296,314
Cash held by trustee	—	—	—	—
Accounts receivable – net	—	6,176	—	—
Accrued interest receivable	44	1,077	62	1,728
Prepaids	—	—	—	—
Inventories	—	—	—	—
Total Assets	8,837	236,948	12,225	298,042
Deferred Outflows of Resources	—	—	—	—
Total Assest and Deferred Outflows of Resources	$ 8,837	$ 236,948	$ 12,225	$ 298,042
Liabilities and Fund Balances:				
Vouchers and accounts payable	$ —	$ 279	$ 133	$ 370
Contracts payable	—	2,630	174	4,251
Accrued payroll	—	23	—	117
Other payables	—	46	5,784	38
Due to other funds	—	—	—	—
Unearned revenue	—	—	—	—
Total Liabilities	—	2,978	6,091	4,776
Deferred Inflows of Resources	—	—	—	—
Fund Balances:				
Nonspendable	—	—	—	—
Restricted	—	—	6,134	293,266
Assigned	8,837	233,970	—	—
Total Fund Balances	8,837	233,970	6,134	293,266
Total Liabilities, Deferred Inflows of Resources and Fund Balances	$ 8,837	$ 236,948	$ 12,225	$ 298,042

See accompanying independent auditors' report.

Projects					
Special Reserve – Community Redevelopment Agency	Special Reserve	Special Reserve – FEMA – Earthquake	Special Reserve – FEMA – Hazard Mitigation	Total	Total Nonmajor Governmental Funds
$ 49,263	$ 83,066	$ 3,393	$ 2,086	$ 684,773	$ 800,684
—	1,606	—	—	1,606	48,410
—	45	—	—	6,221	34,343
307	442	18	11	3,689	4,085
—	—	—	—	—	148
—	—	—	—	—	10,508
49,570	85,159	3,411	2,097	696,289	898,178
—	—	—	—	—	—
$ 49,570	$ 85,159	$ 3,411	$ 2,097	$ 696,289	$ 898,178
$ 87	$ 262	$ 5	$ —	$ 1,136	$ 6,354
—	6	—	—	7,061	7,078
14	54	—	—	208	10,159
—	17	—	—	5,885	7,427
—	—	—	—	—	27,000
—	—	—	—	—	1,323
101	339	5	—	14,290	59,341
—	—	—	—	—	—
—	—	—	—	—	10,689
49,469	84,820	3,250	—	436,939	566,273
—	—	156	2,097	245,060	261,875
49,469	84,820	3,406	2,097	681,999	838,837
$ 49,570	$ 85,159	$ 3,411	$ 2,097	$ 696,289	$ 898,178

LOS ANGELES UNIFIED SCHOOL DISTRICT
Nonmajor Governmental Funds
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Year Ended June 30, 2017
(in thousands)

	Special Revenue			
	Adult Education	**Child Development**	**Cafeteria**	**Total**
Revenues:				
Federal revenues	$ 14,478	$ 5,087	$ 342,076	$ 361,641
Other state revenues	99,490	109,186	22,217	230,893
Other local revenues	3,851	4,135	9,693	17,679
Total Revenues	117,819	118,408	373,986	610,213
Expenditures:				
Current:				
Certificated salaries	55,680	40,986	—	96,666
Classified salaries	13,609	46,898	89,415	149,922
Employee benefits	33,329	51,117	83,658	168,104
Books and supplies	7,819	3,110	172,237	183,166
Services and other operating expenditures	5,875	2,551	3,180	11,606
Capital outlay	923	—	26	949
Debt service – principal	—	79	—	79
Debt service – bond, COPs, and capital leases interest	—	—	—	—
Other outgo	1,357	—	—	1,357
Transfers of indirect costs – interfund	3,295	4,912	11,313	19,520
Total Expenditures	121,887	149,653	359,829	631,369
Excess (Deficiency) of Revenues Over (Under) Expenditures	(4,068)	(31,245)	14,157	(21,156)
Other Financing Sources (Uses):				
Transfers in	10,619	31,161	4,256	46,036
Transfers out	—	—	—	—
Total Other Financing Sources (Uses)	10,619	31,161	4,256	46,036
Net Changes in Fund Balances	6,551	(84)	18,413	24,880
Fund Balances, July 1, 2016	27,813	479	45,755	74,047
Fund Balances, June 30, 2017	$ 34,364	$ 395	$ 64,168	$ 98,927

See accompanying independent auditor’s report.

Debt Service		
Tax Override	Capital Services	Total
$ —	$ 572	$ 572
—	—	—
5	372	377
5	944	949
—	—	—
—	—	—
—	—	—
—	—	—
—	—	—
—	—	—
—	30,621	30,621
—	12,096	12,096
—	—	—
—	—	—
—	42,717	42,717
5	(41,773)	(41,768)
—	42,671	42,671
—	—	—
—	42,671	42,671
5	898	903
390	56,618	57,008
$ 395	$ 57,516	$ 57,911

(Continued)

LOS ANGELES UNIFIED SCHOOL DISTRICT
Nonmajor Governmental Funds
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances (Continued)
Year Ended June 30, 2017
(in thousands)

	Building	Capital Facilities Account	State School Building Lease – Purchase	Capital: County School Facilities Bonds
Revenues:				
Federal revenues	$ —	$ —	$ —	$ —
Other state revenues	—	—	—	(587)
Other local revenues	662	92,750	133	4,106
Total Revenues	662	92,750	133	3,519
Expenditures:				
Current:				
Certificated salaries	—	—	—	—
Classified salaries	—	435	—	1,804
Employee benefits	—	206	—	834
Books and supplies	—	2	—	2
Services and other operating expenditures	—	722	—	2,068
Capital outlay	—	35,448	12	25,108
Debt service – principal	—	—	—	—
Debt service – bond, COPs, and capital leases interest	—	—	—	—
Other outgo	—	—	—	—
Transfers of indirect costs – interfund	—	—	—	—
Total Expenditures	—	36,813	12	29,816
Excess (Deficiency) of Revenues Over (Under) Expenditures	662	55,937	121	(26,297)
Other Financing Sources (Uses):				
Transfers in	—	6,718	—	5,539
Transfers out	—	(9,626)	—	(118,889)
Total Other Financing Sources (Uses)	—	(2,908)	—	(113,350)
Net Changes in Fund Balances	662	53,029	121	(139,647)
Fund Balances, July 1, 2016	8,175	180,941	6,013	432,913
Fund Balances, June 30, 2017	$ 8,837	$ 233,970	$ 6,134	$ 293,266

See accompanying independent auditor's report.

Projects					
Special Reserve – Community Redevelopment Agency	Special Reserve	Special Reserve – FEMA – Earthquake	Special Reserve – FEMA – Hazard Mitigation	Total	Total Nonmajor Governmental Funds
$ —	$ 100	$ —	$ —	$ 100	$ 362,313
—	1,363	—	—	776	231,669
28,215	7,842	45	23	133,776	151,832
28,215	9,305	45	23	134,652	745,814
—	—	—	—	—	96,666
1,518	1,177	71	—	5,005	154,927
787	521	32	—	2,380	170,484
102	320	42	—	468	183,634
434	1,703	91	—	5,018	16,624
—	5,991	2,035	—	68,594	69,543
—	—	—	—	—	30,700
—	—	—	—	—	12,096
—	—	—	—	—	1,357
—	—	—	—	—	19,520
2,841	9,712	2,271	—	81,465	755,551
25,374	(407)	(2,226)	23	53,187	(9,737)
—	1,065	—	—	13,322	102,029
(20,119)	(431)	—	—	(149,065)	(149,065)
(20,119)	634	—	—	(135,743)	(47,036)
5,255	227	(2,226)	23	(82,556)	(56,773)
44,214	84,593	5,632	2,074	764,555	895,610
$ 49,469	$ 84,820	$ 3,406	$ 2,097	$ 681,999	$ 838,837

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, 2017
(in thousands)

	Adult Education			
	Budget			Variance with Final Budget – Favorable
	Original	Final	Actual	(Unfavorable)
Revenues:				
Federal revenues	$ 14,772	$ 15,891	$ 14,478	$ (1,413)
Other state revenues	96,843	97,351	99,490	2,139
Other local revenues	900	3,530	3,851	321
Total Revenues	112,515	116,772	117,819	1,047
Expenditures:				
Current:				
Certificated salaries	57,254	60,491	55,680	4,811
Classified salaries	14,575	15,419	13,609	1,810
Employee benefits	26,560	33,991	33,329	662
Books and supplies	28,960	30,162	7,819	22,343
Services and other operating expenditures	5,061	8,781	5,875	2,906
Capital outlay	219	926	923	3
Debt Service – principal	—	—	—	—
Other outgo	—	1,400	1,357	43
Transfers of indirect costs – interfund	4,038	4,009	3,295	714
Total Expenditures	136,667	155,179	121,887	33,292
Excess (Deficiency) of Revenues Over (Under) Expenditures	(24,152)	(38,407)	(4,068)	34,339
Other Financing Sources (Uses):				
Transfers in	—	10,619	10,619	—
Transfers out	—	—	—	—
Total Other Financing Sources (Uses)	—	10,619	10,619	—
Net Changes in Fund Balances	(24,152)	(27,788)	6,551	34,339
Fund Balances, July 1, 2016	24,183	27,813	27,813	—
Fund Balances, June 30, 2017	$ 31	$ 25	$ 34,364	$ 34,339

See accompanying independent auditor’s report.

Child Development				Cafeteria			
Budget			Variance with Final Budget – Favorable	Budget			Variance with Final Budget – Favorable
Original	Final	Actual	(Unfavorable)	Original	Final	Actual	(Unfavorable)
$ 4,534	$ 4,534	$ 5,087	$ 553	$ 322,112	$ 333,657	$ 342,076	$ 8,419
117,421	111,159	109,186	(1,973)	21,917	22,327	22,217	(110)
4,884	4,011	4,135	124	8,851	9,016	9,693	677
126,839	119,704	118,408	(1,296)	352,880	365,000	373,986	8,986
43,663	41,171	40,986	185	—	—	—	—
45,756	47,859	46,898	961	87,399	91,277	89,415	1,862
51,220	51,370	51,117	253	93,556	85,171	83,658	1,513
9,417	4,326	3,110	1,216	194,045	187,436	172,237	15,199
5,286	3,477	2,551	926	2,791	3,646	3,180	466
—	—	—	—	660	231	26	205
396	396	79	317	—	—	—	—
—	—	—	—	—	—	—	—
5,077	5,100	4,912	188	12,501	11,937	11,313	624
160,815	153,699	149,653	4,046	390,952	379,698	359,829	19,869
(33,976)	(33,995)	(31,245)	2,750	(38,072)	(14,698)	14,157	28,855
33,497	33,517	31,161	(2,356)	38,582	4,348	4,256	(92)
—	—	—	—	—	—	—	—
33,497	33,517	31,161	(2,356)	38,582	4,348	4,256	(92)
(479)	(478)	(84)	394	510	(10,350)	18,413	28,763
480	479	479	—	20,689	45,755	45,755	—
$ 1	$ 1	$ 395	$ 394	$ 21,199	$ 35,405	$ 64,168	$ 28,763

(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, 2017
(in thousands)

	Total			
	Budget			Variance with Final Budget – Favorable
	Original	Final	Actual	(Unfavorable)
Revenues:				
Federal revenues	$ 341,418	$ 354,082	$ 361,641	$ 7,559
Other state revenues	236,181	230,837	230,893	56
Other local revenues	14,635	16,557	17,679	1,122
Total Revenues	592,234	601,476	610,213	8,737
Expenditures:				
Current:				
Certificated salaries	100,917	101,662	96,666	4,996
Classified salaries	147,730	154,555	149,922	4,633
Employee benefits	171,336	170,532	168,104	2,428
Books and supplies	232,422	221,924	183,166	38,758
Services and other operating expenditures	13,138	15,904	11,606	4,298
Capital outlay	879	1,157	949	208
Debt Service – principal	396	396	79	317
Other outgo	—	1,400	1,357	43
Transfers of indirect costs – interfund	21,616	21,046	19,520	1,526
Total Expenditures	688,434	688,576	631,369	57,207
Excess (Deficiency) of Revenues Over (Under) Expenditures	(96,200)	(87,100)	(21,156)	65,944
Other Financing Sources (Uses):				
Transfers in	72,079	48,484	46,036	(2,448)
Transfers out	—	—	—	—
Total Other Financing Sources (Uses)	72,079	48,484	46,036	(2,448)
Net Changes in Fund Balances	(24,121)	(38,616)	24,880	63,496
Fund Balances, July 1, 2016	45,352	74,047	74,047	—
Fund Balances, June 30, 2017	$ 21,231	$ 35,431	$ 98,927	$ 63,496

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, 2017
(in thousands)

	Tax Override			
	Budget			Variance with Final Budget – Favorable
	Original	Final	Actual	(Unfavorable)
Revenues:				
Federal revenues	$ —	$ —	$ —	$ —
Other state revenues	—	—	—	—
Other local revenues	—	—	5	5
Total Revenues	—	—	5	5
Expenditures:				
Debt service – principal	—	—	—	—
Debt service – bond, COPs, and capital leases interest	390	390	—	390
Total Expenditures	390	390	—	390
Excess (Deficiency) of Revenues Over (Under) Expenditures	(390)	(390)	5	395
Other Financing Sources (Uses):				
Transfers in	—	—	—	—
Total Other Financing Sources	—	—	—	—
Net Changes in Fund Balances	(390)	(390)	5	395
Fund Balances, July 1, 2016	390	390	390	—
Fund Balances, June 30, 2017	$ —	$ —	$ 395	$ 395

See accompanying independent auditor's report.

Capital Services				Total			
Budget			Variance with Final Budget – Favorable	Budget			Variance with Final Budget – Favorable
Original	Final	Actual	(Unfavorable)	Original	Final	Actual	(Unfavorable)
$ 572	$ 572	$ 572	$ —	$ 572	$ 572	$ 572	$ —
—	—	—	—	—	—	—	—
275	275	372	97	275	275	377	102
847	847	944	97	847	847	949	102
29,116	30,621	30,621	—	29,116	30,621	30,621	—
15,005	13,501	12,096	1,405	15,395	13,891	12,096	1,795
44,121	44,122	42,717	1,405	44,511	44,512	42,717	1,795
(43,274)	(43,275)	(41,773)	1,502	(43,664)	(43,665)	(41,768)	1,897
43,274	43,275	42,671	(604)	43,274	43,275	42,671	(604)
43,274	43,275	42,671	(604)	43,274	43,275	42,671	(604)
—	—	898	898	(390)	(390)	903	1,293
56,603	56,618	56,618	—	56,993	57,008	57,008	—
$ 56,603	$ 56,618	$ 57,516	$ 898	$ 56,603	$ 56,618	$ 57,911	$ 1,293

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, 2017
(in thousands)

	Building			
	Budget			Variance with Final Budget – Favorable
	Original	Final	Actual	(Unfavorable)
Revenues:				
Federal revenues	$ —	$ —	$ —	$ —
Other state revenues	—	—	—	—
Other local revenues	675	675	662	(13)
Total Revenues	675	675	662	(13)
Expenditures:				
Current:				
Classified salaries	—	—	—	—
Employee benefits	—	—	—	—
Books and supplies	—	—	—	—
Services and other operating expenditures	—	—	—	—
Capital outlay	567	162	—	162
Total Expenditures	567	162	—	162
Excess (Deficiency) of Revenues Over (Under) Expenditures	108	513	662	149
Other Financing Sources (Uses):				
Transfers in	—	—	—	—
Transfers out	—	—	—	—
Total Other Financing Sources (Uses)	—	—	—	—
Net Changes in Fund Balances	108	513	662	149
Fund Balances, July 1, 2016	8,806	8,175	8,175	—
Fund Balances, June 30, 2017	$ 8,914	$ 8,688	$ 8,837	$ 149

See accompanying independent auditor’s report.

Capital Facilities Account				State School Building Lease – Purchase			
Budget			Variance with Final Budget – Favorable	Budget			Variance with Final Budget – Favorable
Original	Final	Actual	(Unfavorable)	Original	Final	Actual	(Unfavorable)
$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —
—	—	—	—	—	—	—	—
80,140	80,140	92,750	12,610	—	—	133	133
80,140	80,140	92,750	12,610	—	—	133	133
519	519	435	84	—	—	—	—
235	235	206	29	—	—	—	—
34	34	2	32	—	—	—	—
30,967	30,966	722	30,244	—	—	—	—
32,981	36,340	35,448	892	6,011	6,013	12	6,001
64,736	68,094	36,813	31,281	6,011	6,013	12	6,001
15,404	12,046	55,937	43,891	(6,011)	(6,013)	121	6,134
—	6,718	6,718	—	—	—	—	—
(9,577)	(9,632)	(9,626)	6	—	—	—	—
(9,577)	(2,914)	(2,908)	6	—	—	—	—
5,827	9,132	53,029	43,897	(6,011)	(6,013)	121	6,134
184,246	180,941	180,941	—	6,011	6,013	6,013	—
$ 190,073	$ 190,073	$ 233,970	$ 43,897	$ —	$ —	$ 6,134	$ 6,134

(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, 2017
(in thousands)

	County School Facilities Bonds			
	Budget			Variance with Final Budget – Favorable
	Original	Final	Actual	(Unfavorable)
Revenues:				
Federal revenues	$ —	$ —	$ —	$ —
Other state revenues	4,089	4,089	(587)	(4,676)
Other local revenues	3,220	3,220	4,106	886
Total Revenues	7,309	7,309	3,519	(3,790)
Expenditures:				
Current:				
Classified salaries	—	5,153	1,804	3,349
Employee benefits	—	2,151	834	1,317
Books and supplies	—	454	2	452
Services and other operating expenditures	—	6,797	2,068	4,729
Capital outlay	100,771	25,760	25,108	652
Total Expenditures	100,771	40,315	29,816	10,499
Excess (Deficiency) of Revenues Over (Under) Expenditures	(93,462)	(33,006)	(26,297)	6,709
Other Financing Sources (Uses):				
Transfers in	—	5,539	5,539	—
Transfers out	—	(118,889)	(118,889)	—
Total Other Financing Sources (Uses)	—	(113,350)	(113,350)	—
Net Changes in Fund Balances	(93,462)	(146,356)	(139,647)	6,709
Fund Balances, July 1, 2016	430,018	432,913	432,913	—
Fund Balances, June 30, 2017	$ 336,556	$ 286,557	$ 293,266	$ 6,709

See accompanying independent auditors' report.

Special Reserve – Community Redevelopment Agency				Special Reserve			
Budget			Variance with Final Budget – Favorable	Budget			Variance with Final Budget – Favorable
Original	Final	Actual	(Unfavorable)	Original	Final	Actual	(Unfavorable)
$ —	$ —	$ —	$ —	$ —	$ 100	$ 100	$ —
—	—	—	—	—	1,452	1,363	(89)
12,869	12,869	28,215	15,346	16,185	19,341	7,842	(11,499)
12,869	12,869	28,215	15,346	16,185	20,893	9,305	(11,588)
368	1,568	1,518	50	—	2,376	1,177	1,199
653	801	787	14	—	1,091	521	570
—	150	102	48	—	1,182	320	862
92	552	434	118	—	10,269	1,703	8,566
23,826	24,622	—	24,622	21,872	19,527	5,991	13,536
24,939	27,693	2,841	24,852	21,872	34,445	9,712	24,733
(12,070)	(14,824)	25,374	40,198	(5,687)	(13,552)	(407)	13,145
—	—	—	—	—	1,065	1,065	—
(15,000)	(20,119)	(20,119)	—	—	(431)	(431)	—
(15,000)	(20,119)	(20,119)	—	—	634	634	—
(27,070)	(34,943)	5,255	40,198	(5,687)	(12,918)	227	13,145
36,340	44,214	44,214	—	77,362	84,593	84,593	—
$ 9,270	$ 9,271	$ 49,469	$ 40,198	$ 71,675	$ 71,675	$ 84,820	$ 13,145

(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, 2017
(in thousands)

	Special Reserve – FEMA – Earthquake			
	Budget			Variance with Final Budget – Favorable
	Original	Final	Actual	(Unfavorable)
Revenues:				
Federal revenues	$ —	$ —	$ —	$ —
Other state revenues	—	—	—	—
Other local revenues	—	—	45	45
Total Revenues	—	—	45	45
Expenditures:				
Current:				
Classified salaries	—	274	71	203
Employee benefits	—	111	32	79
Books and supplies	—	55	42	13
Services and other operating expenditures	—	2,262	91	2,171
Capital outlay	5,776	2,820	2,035	785
Total Expenditures	5,776	5,522	2,271	3,251
Excess (Deficiency) of Revenues Over (Under) Expenditures	(5,776)	(5,522)	(2,226)	3,296
Other Financing Sources (Uses):				
Transfers in	—	—	—	—
Transfers out	—	—	—	—
Total Other Financing Sources (Uses)	—	—	—	—
Net Changes in Fund Balances	(5,776)	(5,522)	(2,226)	3,296
Fund Balances, July 1, 2016	5,885	5,632	5,632	—
Fund Balances, June 30, 2017	$ 109	$ 110	$ 3,406	$ 3,296

See accompanying independent auditors' report.

Special Reserve – FEMA – Hazard Mitigation				Total			
Budget			Variance with Final Budget – Favorable	Budget			Variance with Final Budget – Favorable
Original	Final	Actual	(Unfavorable)	Original	Final	Actual	(Unfavorable)
$ —	$ —	$ —	$ —	$ —	$ 100	$ 100	$ —
—	—	—	—	4,089	5,541	776	(4,765)
—	—	23	23	113,089	116,245	133,776	17,531
—	—	23	23	117,178	121,886	134,652	12,766
—	—	—	—	887	9,890	5,005	4,885
—	—	—	—	888	4,389	2,380	2,009
—	—	—	—	34	1,875	468	1,407
—	—	—	—	31,059	50,846	5,018	45,828
—	—	—	—	191,804	115,244	68,594	46,650
—	—	—	—	224,672	182,244	81,465	100,779
—	—	23	23	(107,494)	(60,358)	53,187	113,545
—	—	—	—	—	13,322	13,322	—
—	—	—	—	(24,577)	(149,071)	(149,065)	6
—	—	—	—	(24,577)	(135,749)	(135,743)	6
—	—	23	23	(132,071)	(196,107)	(82,556)	113,551
2,073	2,074	2,074	—	750,741	764,555	764,555	—
$ 2,073	$ 2,074	$ 2,097	$ 23	$ 618,670	$ 568,448	$ 681,999	$ 113,551

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.

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LOS ANGELES UNIFIED SCHOOL DISTRICT
Internal Service Funds
Combining Statement of Net Position
June 30, 2017
(in thousands)

Assets:	Health and Welfare Benefits	Workers' Compensation Self-Insurance	Liability Self-Insurance	Total
Cash in county treasury, in banks, and on hand	$ 275,671	$ 519,101	$ 134,251	$ 929,023
Accounts receivable – net	23,846	—	—	23,846
Accrued interest and dividends receivable	1,902	2,578	510	4,990
Prepaids	47,202	—	775	47,977
Other assets	5,801	—	—	5,801
Total Assets	354,422	521,679	135,536	1,011,637
Deferred Outflows of Resources	1,205	1,896	1,048	4,149
Liabilities:				
Current:				
Vouchers and accounts payable	1,041	2,246	55	3,342
Accrued payroll	202	357	275	834
Other payables	20,064	—	87	20,151
Estimated liability for self-insurance claims	22,907	99,192	85,152	207,251
Total Current Liabilities	44,214	101,795	85,569	231,578
Noncurrent:				
Estimated liability for self-insurance claims	—	396,456	47,256	443,712
Net pension liability	3,136	5,066	2,809	11,011
Total Liabilities	47,350	503,317	135,634	686,301
Deferred Inflows of Resources	581	926	513	2,020
Total Net Position – Unrestricted	$ 307,696	$ 19,332	$ 437	$ 327,465

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, 2017
(in thousands)

	Health and Welfare Benefits	Workers' Compensation Self-Insurance	Liability Self-Insurance	Total
Operating Revenues:				
In-District premiums	$ 1,011,178	$ 132,729	$ 48,831	$ 1,192,738
Others	2,207	1	—	2,208
Total Operating Revenues	1,013,385	132,730	48,831	1,194,946
Operating Expenses:				
Certificated salaries	—	276	169	445
Classified salaries	2,035	2,993	1,709	6,737
Employee benefits	987	2,255	1,665	4,907
Supplies	214	52	13	279
Premiums and claims expenses	1,016,275	104,385	47,234	1,167,894
Claims administration	—	12,952	324	13,276
Other contracted services	1,461	431	399	2,291
Total Operating Expenses	1,020,972	123,344	51,513	1,195,829
Operating Income (Loss)	(7,587)	9,386	(2,682)	(883)
Nonoperating Revenues (Expenses):				
Investment income	4,070	5,546	1,441	11,057
Miscellaneous expense	—	(45)	—	(45)
Total Nonoperating Revenues	4,070	5,501	1,441	11,012
Changes in Net Position	(3,517)	14,887	(1,241)	10,129
Total Net Position, July 1, 2016	311,213	4,445	1,678	317,336
Total Net Position, June 30, 2017	$ 307,696	$ 19,332	$ 437	$ 327,465

See accompanying independent auditor's report.

LOS ANGELES UNIFIED SCHOOL DISTRICT
Internal Service Funds
Combining Statement of Cash Flows
Year Ended June 30, 2017
(in thousands)

	Health and Welfare Benefits	Workers' Compensation Self-Insurance	Liability Self-Insurance	Total
Cash Flows from Operating Activities:				
Cash payments to employees for services	$ (3,171)	$ (4,817)	$ (2,627)	$ (10,615)
Cash payments for goods and services	(1,043,896)	(114,321)	(129,346)	(1,287,563)
Receipts from assessment to other funds	1,011,178	132,858	48,831	1,192,867
Other operating revenue	2,207	1	—	2,208
Net Cash Provided (Used) by Operating Activities	(33,682)	13,721	(83,142)	(103,103)
Cash Flows from Investing Activities:				
Earnings on investments	3,253	4,481	1,085	8,819
Net Cash Provided by Investing Activities	3,253	4,481	1,085	8,819
Net Increase (Decrease) in Cash and Cash Equivalents	(30,429)	18,202	(82,057)	(94,284)
Cash and Cash Equivalents, July 1	306,100	500,899	216,308	1,023,307
Cash and Cash Equivalents, June 30	$ 275,671	$ 519,101	$ 134,251	$ 929,023
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:				
Operating Income (Loss)	$ (7,587)	$ 9,386	$ (2,682)	$ (883)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Net decrease in pension expense from actuarial valuation	(124)	665	838	1,379
Change in Assets: Decrease (Increase)				
Accounts receivable	(10,535)	129	—	(10,406)
Prepaids	(1,531)	—	388	(1,143)
Other assets	(345)	—	—	(345)
Change in Liabilities: Increase (Decrease)				
Vouchers and accounts payable	865	238	(417)	686
Accrued payroll	(25)	42	79	96
Other payables	(15,908)	—	2	(15,906)
Estimated liability for self-insurance claims – current	1,508	(3,850)	(92,372)	(94,714)
Estimated liability for self-insurance claims – noncurrent	—	7,111	11,022	18,133
Total Adjustments	(26,095)	4,335	(80,460)	(102,220)
Net Cash Provided (Used) by Operating Activities	$ (33,682)	$ 13,721	$ (83,142)	$ (103,103)

See accompanying independent auditor's report.

Agency Funds

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

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

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

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LOS ANGELES UNIFIED SCHOOL DISTRICT
Fiduciary Funds – Agency Funds
Combining Statement of Changes in Assets and Liabilities
Year Ended June 30, 2017
(in thousands)

	Balance July 1, 2016	Additions	Deductions	Balance June 30, 2017
Payroll Agency Fund				
Assets				
Cash in county treasury, in banks, and on hand	$ 95,278	$ 11,993,426	$ 11,949,142	$ 139,562
Accounts Receivable	961	3,342	4,303	—
Total Assets	$ 96,239	$ 11,996,768	$ 11,953,445	$ 139,562
Liabilities				
Other payables	$ 96,239	$ 13,089,931	$ 13,046,608	$ 139,562
Total Liabilities	$ 96,239	$ 13,089,931	$ 13,046,608	$ 139,562
Attendance Incentive Reserve Fund				
Assets				
Cash in county treasury, in banks, and on hand	$ 16,698	$ 950	$ 17,564	$ 84
Accounts Receivable	1	—	—	1
Accrued interest receivable	52	282	265	69
Total Assets	$ 16,751	$ 1,232	$ 17,829	$ 154
Liabilities				
Other payables	$ 16,751	$ 302	$ 16,899	$ 154
Total Liabilities	$ 16,751	$ 302	$ 16,899	$ 154
Student Body Fund				
Assets				
Cash in county treasury, in banks, and on hand	$ 21,935	$ 55,062	$ 51,903	$ 25,094
Total Assets	$ 21,935	$ 55,062	$ 51,903	$ 25,094
Liabilities				
Other payables	$ 21,935	$ 55,062	$ 51,903	$ 25,094
Total Liabilities	$ 21,935	$ 55,062	$ 51,903	$ 25,094
Total Agency Funds				
Assets				
Cash in county treasury, in banks, and on hand	$ 133,911	$ 12,049,438	$ 12,018,609	$ 164,740
Accounts receivable – net	962	3,342	4,303	1
Accrued interest receivable	52	282	265	69
Total Assets	$ 134,925	$ 12,053,062	$ 12,023,177	$ 164,810
Liabilities				
Other payables	$ 134,925	$ 13,145,295	$ 13,115,410	$ 164,810
Total Liabilities	$ 134,925	$ 13,145,295	$ 13,115,410	$ 164,810

See accompanying independent auditor’s report.

SUPPLEMENTARY INFORMATION

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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 Amount	Increase (Decrease) Over Preceding Year Rate	Total A.D.A.**	Assessed Value per Unit of A.D.A.
2007-2008	$ 419,052,509	$ 21,861,881	$ 440,914,390	1.123342	38,305,553	9.51 %	700,073	$ 630
2008-2009	451,191,875	23,597,923	474,789,798	1.124782	33,875,408	7.68	693,633	684
2009-2010	451,127,882	23,849,409	474,977,291	1.151809	187,493	0.04	576,963 [a]	823
2010-2011	442,092,473	21,753,078	463,845,551	1.186954	(11,131,740)	(2.34)	565,450 [a]	820
2011-2012	447,830,204	21,265,021	469,095,225	1.168187	5,249,674	1.13	547,592 [a]	857
2012-2013	458,767,053	21,308,439	480,075,492	1.175606	10,980,267	2.34	534,345 [a]	898
2013-2014	482,043,584	21,634,336	503,677,920	1.146439	23,602,428	4.92	527,562 [b]	955
2014-2015	510,371,502	22,562,705	532,934,207	1.146881	29,256,287	5.81	515,745	1,033
2015-2016	546,807,059	23,362,405	570,169,464	1.129709	37,235,257	6.99	503,213	1,133
2016-2017	581,473,213	24,495,794	605,969,007	1.131096	35,799,543	6.28	489,383	1,238

* Source: Los Angeles County Auditor-Controller "Taxpayers' Guide." Taxes which constitute a lien on real property are referred to as "secured." Almost all real property taxes are secured. Most personal property taxes are "unsecured." Some taxes on personal property may also be secured to the real property of the assessee, upon request and subject to certain conditions.

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

[a] Adult and Summer School programs were not collected due to changes made by Education Code Section 42605. Districts were not required to operate the program or follow program requirements. Revenue for these years were based on the same relative proportion that the District received for these programs in fiscal year 2007-08.

[b] Starting 2013-14, Local Control Funding Formula (LCFF) replaced the previous K-12 finance system with a new funding formula which is composed of uniform base grants by grade span (K-3, 4-6, 7-8, 9-12).

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

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

	2017			2008		
Rank	Property Owner	Assessed Valuation	% of Total [1]	Property Owner	Assessed Valuation	% of Total [2]
1	Douglas Emmett LLC	$ 2,762,607	0.48%	Douglas Emmett Realty Funds	$ 2,544,804	0.61%
2	Universal Studios LLC	2,627,677	0.45	Arden Realty LP	1,658,297	0.40
3	Essex Portfolio LP	1,432,628	0.25	Universal Studios LLC	1,370,736	0.33
4	FSP South Flower Street Associates LLC	882,131	0.15	Anheuser Busch Inc.	959,064	0.23
5	Rochelle H. Sterling	828,892	0.14	Warner Bros. Entertainment Inc.	601,232	0.14
6	Anheuser Busch Inc.	750,204	0.13	Maguire Partners 355 S. Grand LLC	555,773	0.13
7	One Hundred Towers LLC	627,394	0.11	One Hundred Towers LLC	554,616	0.13
8	Century City Mall LLC	626,748	0.11	Duesenberg Investment Co.	550,447	0.13
9	Trizec 333 LA LLC	616,102	0.11	CA Colorado Center LLC	452,158	0.11
10	Maguire Partners 355 S. Grand LLC	576,182	0.10	Trizec 333 LA LLC	429,000	0.10
11	Tishman Speyer Archstone Smith	561,090	0.10	Topanga Plaza LP	422,150	0.10
12	Olympic and Georgia Partners LLC	546,298	0.09	Paramount Pictures Corp.	415,281	0.10
13	Paramount Pictures Corp.	522,377	0.09	Rreef America REIT II Corp. BBBB	412,840	0.10
14	LA Live Properties LLC	522,324	0.09	Twentieth Century Fox Film Corp.	370,349	0.09
15	Hines REIT West LA Portfolio LP	521,084	0.09	Trizec 601 Figueroa LLC	362,000	0.09
16	Westfield Topanga Owner LP	510,725	0.09	Walt Disney Productions, Inc.	359,691	0.09
17	Palment Flower Street Properties	507,788	0.09	Century City Mall LLC	330,471	0.08
18	Maguire Properties 555 W. Fifth	505,490	0.09	AP Properties Ltd.	317,385	0.08
19	Taubman-Beverly Center	496,502	0.09	1999 Stars LLC	313,153	0.07
20	Realco Intermediary LLC	487,018	0.08	Sunstone Century Star LLC	306,019	0.07
		$ 16,911,261	2.93%		$ 13,285,466	3.18%

(1) 2016-17 Local Secured Assessed Valuation: $581,302,846

(2) 2007-08 Local Secured Assessed Valuation: $418,972,149

Source: California Municipal Statistics, Inc.

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

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

Fiscal Year	Total Tax Levy	ERAF Funds [(1)]	Current Tax Collections	Percent of Current Taxes Collected	Delinquent Tax Collections [(2)]	Total Tax Collections	Ratio of Total Tax Collections to Total Tax Levy
2007-2008	$ 1,345,503	$ (42,753)	$ 1,241,733	95.32%	$ 76,816	$ 1,318,549	101.21%
2008-2009	1,481,739	(2,660)	1,372,078	92.77	114,292	1,486,370	100.49
2009-2010	1,597,579	41,685	1,505,933	91.87	112,277	1,618,210	98.72
2010-2011	1,711,575	29,419	1,602,345	92.04	102,970	1,705,315	97.95
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

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

(2) Includes prior years' delinquencies. The Auditor-Controller has determined that they cannot provide delinquent tax information by levy year.

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

LOS ANGELES UNIFIED SCHOOL DISTRICT
Average Daily Attendance/Hours of Attendance
Annual Report
Last Ten Fiscal Years
(Unaudited)

	2007-2008	2008-2009
Elementary:		
Kindergarten	44,705	44,393
Grades 1-3	141,266	138,384
Grades 4-6	136,245	131,692
Grades 7-8	90,769	86,871
Special Education	19,427	19,897
County Special Education	—	—
Opportunity Schools	11	10
Home or Hospital	170	123
Community Day Schools	122	122
County Community Schools	26	22
Total Elementary	432,741	421,514
Secondary:		
Regular Classes	151,852	151,451
Special Education	11,030	10,905
County Special Education	—	—
Compulsory Continuation Education	2,837	3,085
Opportunity Schools	433	455
Home or Hospital	130	109
Community Day Schools	692	772
County Community Schools	84	81
Total Secondary	167,058	166,858
Block grant funded fiscally affiliated charters	6,482	6,655
Total Block Grant Funded Fiscally Affiliated Charters	6,482	6,655
Adult program:		
ROC/P Mandated	20,309	23,379
Classes for Adults – Mandated	65,684	66,905
Concurrently Enrolled Adults	7,756	8,297
Full-time Independent Study*	43	25
Total Adult Program	93,792	98,606
Total Average Daily Attendance	700,073	693,633
Summer School Hours of Attendance		
Elementary	10,195,908	8,567,366
Secondary	8,336,362	7,203,657
Dependent Charter	***	***
Total Hours	18,532,270	15,771,023

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

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

*** Included with Elementary and Secondary hours.

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

2009-2010	2010-2011	2011-2012	2012-2013
43,906	43,364	43,737	42,093
134,001	130,846	127,081	120,880
127,455	124,800	119,257	111,082
82,465	78,704	73,733	68,461
19,204	19,250	18,522	17,966
1	1	1	1
7	7	8	8
118	127	107	118
126	85	94	103
21	11	15	8
407,304	397,195	382,555	360,720
146,707	143,979	135,549	129,037
10,960	11,252	10,709	10,513
1	—	1	—
3,339	3,507	3,602	3,623
492	494	506	492
99	98	101	101
915	911	933	852
240	148	137	175
162,753	160,389	151,538	144,793
6,906	7,866	13,499	28,832
6,906	7,866	13,499	28,832
**	**	**	**
**	**	**	**
**	**	**	**
**	**	**	**
—	—	—	—
576,963	565,450	547,592	534,345
**	**	**	**
**	**	**	**
**	**	**	**
—	—	—	—

(Continued)

LOS ANGELES UNIFIED SCHOOL DISTRICT
Average Daily Attendance/Hours of Attendance
Annual Report (Continued)
Last Ten Fiscal Years
(Unaudited)

	2013-2014	2014-2015	2015-2016	2016-2017
District:				
Kindergarten-Grade 3	168,219.59	163,766.40	159,034.61	153,237.92
Grades 4-6	114,458.03	112,308.60	111,528.46	108,975.84
Grades 7-8	71,338.82	68,415.44	65,591.77	64,024.98
Grades 9-12	133,233.66	130,676.24	126,932.24	121,581.72
Total District	487,250.10	475,166.68	463,087.08	447,820.46
County:				
Kindergarten-Grade 3	0.00	0.00	0.00	0.00
Grades 4-6	1.23	1.38	1.23	0.00
Grades 7-8	7.85	5.12	3.18	2.71
Grades 9-12	670.05	628.23	489.84	417.13
Total County	679.13	634.73	494.25	419.84
Affiliated Charter Schools:				
Kindergarten-Grade 3	16,012.86	15,913.38	15,866.33	15,792.20
Grades 4-6	10,393.49	10,505.83	10,545.58	10,552.33
Grades 7-8	5,758.33	6,070.36	6,000.47	6,037.96
Grades 9-12	7,468.47	7,454.27	7,219.75	8,760.14
Total Affiliated Charter Schools	39,633.15	39,943.84	39,632.13	41,142.63
Total Average Daily Attendance	527,562.38	515,745.25	503,213.46	489,382.93

Note: Starting 2013-14, Local Control Funding Formula (LCFF) replaced the previous K-12 finance system with a new funding formula which is composed of uniform base grants by grade span (K-3, 4-6, 7-8, 9-12).

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

LOS ANGELES UNIFIED SCHOOL DISTRICT
Organization Structure
Year Ended June 30, 2017

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. These terms were extended to five years for members elected in 2015 and thereafter.

Name	Expiration of Term
Mónica García, President	December 11, 2022
George McKenna	December 13, 2020
Scott Schmerelson	December 13, 2020
Nick Melvoin	December 11, 2022
Ref Rodriguez	December 13, 2020
Kelly Gonez	December 11, 2022
Richard Vladovic	December 13, 2020

Name	Title
Michelle King	Superintendent of Schools
Vivian Ekchian	Associate Superintendent
Beth Kauffman	Associate Superintendent
Frances Gipson	Chief Academic Officer
Diane Pappas	Chief Executive Officer
Scott Price	Chief Financial Officer
Mark Hovatter	Chief Facilities Executive
Alma Peña-Sanchez	Chief of Staff
Shannon Haber	Chief Communications Officer
Kenneth Bramlett	Inspector General
David Holmquist	General Counsel
Najeeb Khoury	Director, Labor Relations
Steven Zipperman	Chief of Police
Karla Gould	Personnel Director
Jefferson Crain	Board Secretariat
Glenn Daley	Director, Independent Analysis Unit
Robert Newman	Special Assistant, Office of the Superintendent
Nicole Elam-Ellis	Excecutive Director, Office of the Superintendent
Jeffrey Dunn	Excecutive Director, Government Relations & Legislative Affairs

Date of Establishment: 1854 as the Common Schools for the City of Los Angeles and became a unified school district in 1960.

Fiscal Year: July 1 – June 30

Number of Schools:

(As of October)	2013-2014	2014-2015	2015-2016	2016-2017
Elementary Schools	457	455	451	449
Middle/Junior High Schools	83	84	83	82
Senior High Schools	100	96	97	95
Options Schools	55	55	54	54
Special Education Schools	15	15	15	14
Magnet Schools	34	39	43	47
Magnet Centers	148	152	156	168
Community Adult Schools	6	6	2	2
Regional Occupational Centers	3	3	6	6
Skills Centers	1	1	2	3
Regional Occupational Program	1	1	1	1
Early Education Centers	86	86	86	86
Infant Centers	4	4	4	4
Primary School Centers	18	18	18	19
Multi-level Schools	22	20	23	24
Total Schools and Centers	1,033	1,035	1,041	1,054
Independent Charter Schools	196	211	221	225

See accompanying independent auditor's report.

LOS ANGELES UNIFIED SCHOOL DISTRICT
Schedule of Average Daily Attendance/Hours of Attendance
Year Ended June 30, 2017

	Second Period Report	Annual Report	Audited Second Period Report	Audited Annual Report
District				
Kindergarten-Grade 3	153,350.82	153,237.92	153,343.76 *	153,231.62 *
Grades 4-6	109,065.29	108,975.84	109,065.29	108,975.84
Grades 7-8	64,121.83	64,024.98	64,121.83	64,024.98
Grades 9-12	122,350.31	121,581.72	122,350.31	121,581.72
Total District	448,888.25	447,820.46	448,881.19	447,814.16
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	2.07	2.71	2.07	2.71
Grades 9-12	430.15	417.13	430.15	417.13
Total County	432.22	419.84	432.22	419.84
Affiliated Charter Schools				
Kindergarten-Grade 3	15,808.04	15,792.20	15,808.04	15,792.20
Grades 4-6	10,571.02	10,552.33	10,571.02	10,552.33
Grades 7-8	6,061.04	6,037.96	6,061.04	6,037.96
Grades 9-12	8,837.70	8,760.14	8,837.70	8,760.14
Total Affiliated Charter Schools	41,277.80	41,142.63	41,277.80	41,142.63
Total Average Daily Attendance	490,598.27	489,382.93	490,591.21	489,376.63

* Adjustments based on audit findings S-2017-004 and S-2017-007.

See accompanying independent auditor’s report.

LOS ANGELES UNIFIED SCHOOL DISTRICT
Schedule of Average Daily Attendance – Affiliated Charter Schools
Year Ended June 30, 2017

	Name of Affiliated Charter School	CDS Code	TK/K to Grade 3 ADA – Total – Second Period Report	TK/K to Grade 3 ADA – Total – Annual Report	TK/K to Grade 3 ADA – Classroom-based – Second Period Report	TK/K to Grade 3 ADA – Classroom-based – Annual Report
1	Alexander (Dr. Theodore, Jr.) Science Center	19 64733 0102491	425.94	424.84	425.94	424.84
2	Beckford Charter for Enriched Studies	19 64733 6015986	366.64	365.30	366.64	365.30
3	Calabash Charter Academy	19 64733 6016240	285.13	283.87	285.13	283.87
4	Calahan Community Charter	19 64733 6016257	351.27	350.90	351.27	350.90
5	Calvert Charter for Enriched Studies	19 64733 6016265	272.31	272.35	272.31	272.35
6	Canyon Charter Elementary School	19 64733 6016323	259.16	260.14	259.16	260.14
7	Carpenter Community Charter School	19 64733 6016356	662.25	662.75	662.25	662.75
8	Castlebay Lane Elementary School	19 64733 6071435	489.03	487.92	489.03	487.92
9	Chandler Learning Academy	19 64733 6016422	363.25	362.73	363.25	362.73
10	Chatsworth Charter High School	19 64733 1931708	0.00	0.00	0.00	0.00
11	Cleveland (Grover) Charter High School	19 64733 1931864	0.00	0.00	0.00	0.00
12	Colfax Charter Elementary School	19 64733 6016562	426.01	426.51	426.01	426.51
13	Community Magnet Charter Elementary School	19 64733 6094726	266.05	265.05	266.05	265.05
14	Darby Avenue Charter	19 64733 6016703	300.84	299.80	300.84	299.80
15	Dearborn Elementary Charter Academy	19 64733 6016729	341.23	340.73	341.23	340.73
16	Dixie Canyon Community Charter School	19 64733 6016778	495.33	494.68	495.33	494.68
17	El Oro Way Charter For Enriched Studies	19 64733 6016869	295.45	294.19	295.45	294.19
18	Emelita Academy Charter	19 64733 6016901	263.74	263.57	263.74	263.57
19	Emerson Community Charter	19 64733 6057988	0.00	0.00	0.00	0.00
20	Enadia Technology Enriched Charter	19 64733 0117036	164.35	164.61	164.35	164.61
21	Encino Charter Elementary School	19 64733 6016935	365.42	365.47	365.42	365.47
22	Germain Academy for Academic Achievement	19 64733 6017263	337.63	336.18	337.63	336.18
23	Granada Elementary Community Charter	19 64733 6017339	294.35	294.39	294.35	294.39
24	Hale (George Ellery) Charter Academy	19 64733 6061477	0.00	0.00	0.00	0.00
25	Hamlin Charter Academy	19 64733 6017438	244.47	243.93	244.47	243.93
26	Haynes Charter For Enriched Studies	19 64733 6017529	273.17	272.41	273.17	272.41
27	Hesby Oaks Leadership Charter	19 64733 0112060	216.06	215.96	216.06	215.96
28	Justice Street Academy Charter School	19 64733 6017693	257.16	256.44	257.16	256.44
29	Kenter Canyon Elementary Charter	19 64733 6017701	358.86	359.84	358.86	359.84
30	Knollwood Preparatory Academy	19 64733 6017743	272.53	270.83	272.53	270.83
31	Lockhurst Drive Charter Elementary	19 64733 6017891	317.86	317.01	317.86	317.01
32	Marquez Charter School	19 64733 6018063	338.73	338.01	338.73	338.01
33	Millikan (Robert A.) Affiliated Charter and Performing Arts Magnet Middle School	19 64733 6058150	0.00	0.00	0.00	0.00
34	Nestle Avenue Charter School	19 64733 6018287	373.34	373.31	373.34	373.31
35	Nobel (Alred B.) Middle School	19 64733 6061543	0.00	0.00	0.00	0.00
36	Open Charter Magnet School	19 64733 6097927	255.65	255.20	255.65	255.20
37	Palisades Charter Elementary	19 64733 6018634	299.96	299.57	299.96	299.57
38	Plainview Academic Charter Academy	19 64733 6018725	198.20	198.76	198.20	198.76
39	Pomelo Community Charter School	19 64733 6018774	366.87	366.54	366.87	366.54
40	Revere (Paul) Charter Middle School	19 64733 6058267	0.00	0.00	0.00	0.00
41	Riverside Drive Charter School	19 64733 6018923	433.17	435.60	433.17	435.60
42	Serrania Avenue Charter School for Enriched Studies	19 64733 6019111	452.50	451.13	452.50	451.13
43	Sherman Oaks Elementary Charter School	19 64733 6019186	584.31	584.32	584.31	584.32
44	Superior Street Elementary	19 64733 6019392	335.66	336.04	335.66	336.04
45	Sylmar Charter High School	19 64733 1938554	0.00	0.00	0.00	0.00
46	Taft Charter High School	19 64733 1938612	0.00	0.00	0.00	0.00
47	Topanga Elementary Charter School	19 64733 6019525	198.94	199.28	198.94	199.28
48	Topeka Charter School For Advanced Studies	19 64733 6019533	391.03	391.22	391.03	391.22
49	Van Gogh Charter School	19 64733 6019673	316.84	316.54	316.84	316.54
50	Welby Way Charter Elementary and Gifted–High Ability Magnet	19 64733 6019855	468.98	468.44	468.98	468.44
51	Westwood Charter Elementary School	19 64733 6019939	573.07	573.22	573.07	573.22
52	Wilbur Charter For Enriched Academics	19 64733 6019954	441.80	440.70	441.80	440.70
53	Woodlake Elementary Community Charter	19 64733 6020036	340.05	338.60	340.05	338.60
54	Woodland Hills Elementary Charter For Enriched Studies	19 64733 6020044	473.45	473.32	473.45	473.32
	Total Affiliated Charter Schools Average Daily Attendance		15,808.04	15,792.20	15,808.04	15,792.20

See accompanying independent auditor's report.

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
184.77	184.29	184.77	184.29	0.00	0.00	0.00	0.00
236.98	236.41	236.98	236.41	0.00	0.00	0.00	0.00
134.47	134.31	134.47	134.31	0.00	0.00	0.00	0.00
178.90	177.52	178.90	177.52	0.00	0.00	0.00	0.00
115.83	116.31	115.83	116.31	0.00	0.00	0.00	0.00
116.79	116.13	116.79	116.13	0.00	0.00	0.00	0.00
284.10	283.38	284.10	283.38	0.00	0.00	0.00	0.00
225.74	225.54	225.74	225.54	0.00	0.00	0.00	0.00
121.13	120.66	121.13	120.66	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
191.63	191.46	191.63	191.46	0.00	0.00	0.00	0.00
178.43	177.35	178.43	177.35	0.00	0.00	0.00	0.00
165.77	165.06	165.77	165.06	0.00	0.00	0.00	0.00
180.62	180.18	180.62	180.18	0.00	0.00	0.00	0.00
199.62	199.12	199.62	199.12	0.00	0.00	0.00	0.00
175.70	175.57	175.70	175.57	0.00	0.00	0.00	0.00
103.80	104.48	103.80	104.48	0.00	0.00	0.00	0.00
213.94	211.56	213.94	211.56	381.04	376.74	381.04	376.74
81.63	81.85	81.63	81.85	0.00	0.00	0.00	0.00
181.84	181.62	181.84	181.62	0.00	0.00	0.00	0.00
150.40	150.59	150.40	150.59	0.00	0.00	0.00	0.00
136.70	135.89	136.70	135.89	0.00	0.00	0.00	0.00
662.27	657.31	662.27	657.31	1,324.93	1,318.30	1,324.93	1,318.30
133.67	133.68	133.67	133.68	0.00	0.00	0.00	0.00
133.76	133.14	133.76	133.14	0.00	0.00	0.00	0.00
182.52	183.13	182.52	183.13	137.33	136.76	137.33	136.76
114.59	113.36	114.59	113.36	0.00	0.00	0.00	0.00
179.87	180.18	179.87	180.18	0.00	0.00	0.00	0.00
131.37	130.74	131.37	130.74	0.00	0.00	0.00	0.00
132.84	133.22	132.84	133.22	0.00	0.00	0.00	0.00
175.60	175.39	175.60	175.39	0.00	0.00	0.00	0.00
546.63	546.26	546.63	546.26	1,245.48	1,239.13	1,245.48	1,239.13
167.61	167.58	167.61	167.58	0.00	0.00	0.00	0.00
809.94	809.91	809.94	809.91	1,582.48	1,581.19	1,582.48	1,581.19
138.83	138.84	138.83	138.84	0.00	0.00	0.00	0.00
167.43	167.65	167.43	167.65	0.00	0.00	0.00	0.00
103.53	103.77	103.53	103.77	0.00	0.00	0.00	0.00
224.98	224.40	224.98	224.40	0.00	0.00	0.00	0.00
682.89	681.70	682.89	681.70	1,389.78	1,385.84	1,389.78	1,385.84
176.72	178.39	176.72	178.39	0.00	0.00	0.00	0.00
187.34	186.94	187.34	186.94	0.00	0.00	0.00	0.00
210.75	209.08	210.75	209.08	0.00	0.00	0.00	0.00
170.20	170.11	170.20	170.11	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
81.31	81.54	81.31	81.54	0.00	0.00	0.00	0.00
176.70	176.82	176.70	176.82	0.00	0.00	0.00	0.00
177.48	177.17	177.48	177.17	0.00	0.00	0.00	0.00
318.55	317.83	318.55	317.83	0.00	0.00	0.00	0.00
248.79	249.67	248.79	249.67	0.00	0.00	0.00	0.00
198.13	198.08	198.13	198.08	0.00	0.00	0.00	0.00
164.94	164.05	164.94	164.05	0.00	0.00	0.00	0.00
212.99	213.11	212.99	213.11	0.00	0.00	0.00	0.00
10,571.02	10,552.33	10,571.02	10,552.33	6,061.04	6,037.96	6,061.04	6,037.96

(Continued)

LOS ANGELES UNIFIED SCHOOL DISTRICT
Schedule of Average Daily Attendance – Affiliated Charter Schools (Continued)
Year Ended June 30, 2017

	Name of Affiliated Charter School	CDS Code	Grades 9-12 ADA – Total – Second Period Report	Grades 9-12 ADA – Total – Annual Report	Grades 9-12 ADA – Classroom-based – Second Period Report	Grades 9-12 ADA – Classroom-based – Annual Report
1	Alexander (Dr. Theodore, Jr.) Science Center	19 64733 0102491	0.00	0.00	0.00	0.00
2	Beckford Charter for Enriched Studies	19 64733 6015986	0.00	0.00	0.00	0.00
3	Calabash Charter Academy	19 64733 6016240	0.00	0.00	0.00	0.00
4	Calahan Community Charter	19 64733 6016257	0.00	0.00	0.00	0.00
5	Calvert Charter for Enriched Studies	19 64733 6016265	0.00	0.00	0.00	0.00
6	Canyon Charter Elementary School	19 64733 6016323	0.00	0.00	0.00	0.00
7	Carpenter Community Charter School	19 64733 6016356	0.00	0.00	0.00	0.00
8	Castlebay Lane Elementary School	19 64733 6071435	0.00	0.00	0.00	0.00
9	Chandler Learning Academy	19 64733 6016422	0.00	0.00	0.00	0.00
10	Chatsworth Charter High School	19 64733 1931708	1,816.99	1,800.99	1,816.99	1,800.99
11	Cleveland (Grover) Charter High School	19 64733 1931864	3,063.57	3,040.85	3,063.57	3,040.85
12	Colfax Charter Elementary School	19 64733 6016562	0.00	0.00	0.00	0.00
13	Community Magnet Charter Elementary School	19 64733 6094726	0.00	0.00	0.00	0.00
14	Darby Avenue Charter	19 64733 6016703	0.00	0.00	0.00	0.00
15	Dearborn Elementary Charter Academy	19 64733 6016729	0.00	0.00	0.00	0.00
16	Dixie Canyon Community Charter School	19 64733 6016778	0.00	0.00	0.00	0.00
17	El Oro Way Charter For Enriched Studies	19 64733 6016869	0.00	0.00	0.00	0.00
18	Emelita Academy Charter	19 64733 6016901	0.00	0.00	0.00	0.00
19	Emerson Community Charter	19 64733 6057988	0.00	0.00	0.00	0.00
20	Enadia Technology Enriched Charter	19 64733 0117036	0.00	0.00	0.00	0.00
21	Encino Charter Elementary School	19 64733 6016935	0.00	0.00	0.00	0.00
22	Germain Academy for Academic Achievement	19 64733 6017263	0.00	0.00	0.00	0.00
23	Granada Elementary Community Charter	19 64733 6017339	0.00	0.00	0.00	0.00
24	Hale (George Ellery) Charter Academy	19 64733 6061477	0.00	0.00	0.00	0.00
25	Hamlin Charter Academy	19 64733 6017438	0.00	0.00	0.00	0.00
26	Haynes Charter For Enriched Studies	19 64733 6017529	0.00	0.00	0.00	0.00
27	Hesby Oaks Leadership Charter	19 64733 0112060	0.00	0.00	0.00	0.00
28	Justice Street Academy Charter School	19 64733 6017693	0.00	0.00	0.00	0.00
29	Kenter Canyon Elementary Charter	19 64733 6017701	0.00	0.00	0.00	0.00
30	Knollwood Preparatory Academy	19 64733 6017743	0.00	0.00	0.00	0.00
31	Lockhurst Drive Charter Elementary	19 64733 6017891	0.00	0.00	0.00	0.00
32	Marquez Charter School	19 64733 6018063	0.00	0.00	0.00	0.00
33	Millikan (Robert A.) Affiliated Charter and Performing Arts Magnet Middle School	19 64733 6058150	0.00	0.00	0.00	0.00
34	Nestle Avenue Charter School	19 64733 6018287	0.00	0.00	0.00	0.00
35	Nobel (Alred B.) Middle School	19 64733 6061543	0.00	0.00	0.00	0.00
36	Open Charter Magnet School	19 64733 6097927	0.00	0.00	0.00	0.00
37	Palisades Charter Elementary	19 64733 6018634	0.00	0.00	0.00	0.00
38	Plainview Academic Charter Academy	19 64733 6018725	0.00	0.00	0.00	0.00
39	Pomelo Community Charter School	19 64733 6018774	0.00	0.00	0.00	0.00
40	Revere (Paul) Charter Middle School	19 64733 6058267	0.00	0.00	0.00	0.00
41	Riverside Drive Charter School	19 64733 6018923	0.00	0.00	0.00	0.00
42	Serrania Avenue Charter School for Enriched Studies	19 64733 6019111	0.00	0.00	0.00	0.00
43	Sherman Oaks Elementary Charter School	19 64733 6019186	0.00	0.00	0.00	0.00
44	Superior Street Elementary	19 64733 6019392	0.00	0.00	0.00	0.00
45	Sylmar Charter High School	19 64733 1938554	1687.05	1675.53	1687.05	1675.53
46	Taft Charter High School	19 64733 1938612	2,270.09	2,242.77	2,270.09	2,242.77
47	Topanga Elementary Charter School	19 64733 6019525	0.00	0.00	0.00	0.00
48	Topeka Charter School For Advanced Studies	19 64733 6019533	0.00	0.00	0.00	0.00
49	Van Gogh Charter School	19 64733 6019673	0.00	0.00	0.00	0.00
50	Welby Way Charter Elementary and Gifted–High Ability Magnet	19 64733 6019855	0.00	0.00	0.00	0.00
51	Westwood Charter Elementary School	19 64733 6019939	0.00	0.00	0.00	0.00
52	Wilbur Charter For Enriched Academics	19 64733 6019954	0.00	0.00	0.00	0.00
53	Woodlake Elementary Community Charter	19 64733 6020036	0.00	0.00	0.00	0.00
54	Woodland Hills Elementary Charter For Enriched Studies	19 64733 6020044	0.00	0.00	0.00	0.00
	Total Affiliated Charter Schools Average Daily Attendance		8,837.70	8,760.14	8,837.70	8,760.14

See accompanying independent auditor’s report.

Totals			
Total ADA		Classroom-based ADA	
Second Period Report	Annual Report	Second Period Report	Annual Report
610.71	609.13	610.71	609.13
603.62	601.71	603.62	601.71
419.60	418.18	419.60	418.18
530.17	528.42	530.17	528.42
388.14	388.66	388.14	388.66
375.95	376.27	375.95	376.27
946.35	946.13	946.35	946.13
714.77	713.46	714.77	713.46
484.38	483.39	484.38	483.39
1,816.99	1,800.99	1,816.99	1,800.99
3,063.57	3,040.85	3,063.57	3,040.85
617.64	617.97	617.64	617.97
444.48	442.40	444.48	442.40
466.61	464.86	466.61	464.86
521.85	520.91	521.85	520.91
694.95	693.80	694.95	693.80
471.15	469.76	471.15	469.76
367.54	368.05	367.54	368.05
594.98	588.30	594.98	588.30
245.98	246.46	245.98	246.46
547.26	547.09	547.26	547.09
488.03	486.77	488.03	486.77
431.05	430.28	431.05	430.28
1,987.20	1,975.61	1,987.20	1,975.61
378.14	377.61	378.14	377.61
406.93	405.55	406.93	405.55
535.91	535.85	535.91	535.85
371.75	369.80	371.75	369.80
538.73	540.02	538.73	540.02
403.90	401.57	403.90	401.57
450.70	450.23	450.70	450.23
514.33	513.40	514.33	513.40
		-	
1,792.11	1,785.39	1,792.11	1,785.39
540.95	540.89	540.95	540.89
2,392.42	2,391.10	2,392.42	2,391.10
394.48	394.04	394.48	394.04
467.39	467.22	467.39	467.22
301.73	302.53	301.73	302.53
591.85	590.94	591.85	590.94
2,072.67	2,067.54	2,072.67	2,067.54
609.89	613.99	609.89	613.99
639.84	638.07	639.84	638.07
795.06	793.40	795.06	793.40
505.86	506.15	505.86	506.15
1,687.05	1,675.53	1,687.05	1,675.53
2,270.09	2,242.77	2,270.09	2,242.77
280.25	280.82	280.25	280.82
567.73	568.04	567.73	568.04
494.32	493.71	494.32	493.71
787.53	786.27	787.53	786.27
821.86	822.89	821.86	822.89
639.93	638.78	639.93	638.78
504.99	502.65	504.99	502.65
686.44	686.43	686.44	686.43
41,277.80	41,142.63	41,277.80	41,142.63

LOS ANGELES UNIFIED SCHOOL DISTRICT
Schedule of Instructional Time Offered
Year Ended June 30, 2017

Grade Level	1986-1987 Minutes Requirements	2016-17 Actual Minutes Offered	Number of Days Traditional Calendar	Number of Days Multi-track Calendar (3)	Complied with Instructional Minutes and Days Provisions
Kindergarten	36,000	36,000	180	N/A	Yes
Grades 1 to 3	50,400	55,100	180	N/A	Yes
Grades 4 to 6 (1)	54,000	55,100	180	N/A	Yes
Grades 7 to 8 (2)	54,000	62,160 or 65,300	180	N/A	Yes
Grades 9 to 12	64,800	65,300	180	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) Only one school followed the multi-track calendar.

Notes:
1. All charter schools included in this audit report conform to the above Schedule of Instructional Time Offered.
2. LAUSD received incentive funding for increasing instructional time pursuant to the Longer Year/Longer Instructional day, and met its 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, 2017
(Dollars in thousands)

	2017-2018 Budgeted	2016-2017 Actual	2015-2016 Actual	2014-2015 Actual	2013-2014 Actual
General Fund:					
Revenues	$ 7,143,208	$ 7,176,151	$ 7,161,449	$ 6,420,069	$ 5,853,648
Other Financing Sources	20,300	116,118	52,078	32,771	25,267
Total Revenues and Other Financing Sources	7,163,508	7,292,269	7,213,527	6,452,840	5,878,915
Expenditures	7,469,546	6,758,572	6,633,257	6,205,730	5,660,706
Other Financing Uses	61,497	78,735	89,895	127,554	110,676
Total Expenditures and Other Financing Uses	7,531,043	6,837,307	6,723,152	6,333,284	5,771,382
Change in Fund Balance	(367,535)	454,962	490,375	119,556	107,533
Beginning Fund Balance	1,488,483	1,310,181	819,806	700,250	592,717
Ending Fund Balance	$ 1,120,948	$ 1,765,143	$ 1,310,181	$ 819,806	$ 700,250
Available Reserves*	$ 350,665	$ 794,680	$ 319,373	$ 254,210	$ 151,257
Unassigned Reserve for Economic Uncertainties	$ 75,381	$ 73,411	$ 72,376	$ 65,376	$ 65,376
Unassigned Fund Balance	$ 275,284	$ 721,269	$ 246,997	$ 188,834	$ 85,881
Available Reserves as a Percentage of Total Expenditures and Other Financing Uses	4.66%	11.62%	4.75%	4.01%	2.62%
Total Long-Term Debt	$ 26,445,515	$ 25,330,454	$ 24,164,629	$ 22,321,951	$ 17,519,475
Average Daily Attendance (ADA) at P-2 excluding regional occupational centers programs and adult programs	480,514	490,598	503,591	517,856	528,598

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 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, 2017
(in thousands)

	District Bonds
June 30, 2017 Unaudited Actual Financial Reports	
Fund Balances/Net Position	$ 692,586
Adjustments:	
To reverse the recording of arbitrage payable	180
June 30, 2017 Audited Financial Statement	
Fund Balances/Net Position	$ 692,766

There were no adjustments to fund balances for funds not presented above.

See accompanying notes to supplementary information.

		CDS Code	Affiliated	Fiscally Independent	Included in the District Audit
1	Alexander (Dr. Theodore, Jr.) Science Center	19 64733 0102491	x		Yes
2	Beckford Charter for Enriched Studies	19 64733 6015986	x		Yes
3	Calabash Charter Academy	19 64733 6016240	x		Yes
4	Calahan Community Charter	19 64733 6016257	x		Yes
5	Calvert Charter for Enriched Studies	19 64733 6016265	x		Yes
6	Canyon Charter Elementary School	19 64733 6016323	x		Yes
7	Carpenter Community Charter School	19 64733 6016356	x		Yes
8	Castlebay Lane Elementary School	19 64733 6071435	x		Yes
9	Chandler Learning Academy	19 64733 6016422	x		Yes
10	Chatsworth Charter High School	19 64733 1931708	x		Yes
11	Cleveland (Grover) Charter High School	19 64733 1931864	x		Yes
12	Colfax Charter Elementary School	19 64733 6016562	x		Yes
13	Community Magnet Charter Elementary School	19 64733 6094726	x		Yes
14	Darby Avenue Charter	19 64733 6016703	x		Yes
15	Dearborn Elementary Charter Academy	19 64733 6016729	x		Yes
16	Dixie Canyon Community Charter School	19 64733 6016778	x		Yes
17	El Oro Way Charter For Enriched Studies	19 64733 6016869	x		Yes
18	Emelita Academy Charter	19 64733 6016901	x		Yes
19	Emerson Community Charter	19 64733 6057988	x		Yes
20	Enadia Technology Enriched Charter	19 64733 0117036	x		Yes
21	Encino Charter Elementary School	19 64733 6016935	x		Yes
22	Germain Academy for Academic Achievement	19 64733 6017263	x		Yes
23	Granada Elementary Community Charter	19 64733 6017339	x		Yes
24	Hale (George Ellery) Charter Academy	19 64733 6061477	x		Yes
25	Hamlin Charter Academy	19 64733 6017438	x		Yes
26	Haynes Charter For Enriched Studies	19 64733 6017529	x		Yes
27	Hesby Oaks Leadership Charter	19 64733 0112060	x		Yes
28	Justice Street Academy Charter School	19 64733 6017693	x		Yes
29	Kenter Canyon Elementary Charter	19 64733 6017701	x		Yes
30	Knollwood Preparatory Academy	19 64733 6017743	x		Yes
31	Lockhurst Drive Charter Elementary	19 64733 6017891	x		Yes
32	Marquez Charter School	19 64733 6018063	x		Yes
33	Millikan (Robert A.) Affiliated Charter and Performing Arts Magnet Middle School	19 64733 6058150	x		Yes
34	Nestle Avenue Charter School	19 64733 6018287	x		Yes
35	Nobel (Alred B.) Middle School	19 64733 6061543	x		Yes
36	Open Charter Magnet School	19 64733 6097927	x		Yes
37	Palisades Charter Elementary	19 64733 6018634	x		Yes
38	Plainview Academic Charter Academy	19 64733 6018725	x		Yes
39	Pomelo Community Charter School	19 64733 6018774	x		Yes
40	Revere (Paul) Charter Middle School	19 64733 6058267	x		Yes
41	Riverside Drive Charter School	19 64733 6018923	x		Yes
42	Serrania Avenue Charter School for Enriched Studies	19 64733 6019111	x		Yes
43	Sherman Oaks Elementary Charter School	19 64733 6019186	x		Yes
44	Superior Street Elementary	19 64733 6019392	x		Yes
45	Sylmar Charter High School	19 64733 1938554	x		Yes
46	Taft Charter High School	19 64733 1938612	x		Yes
47	Topanga Elementary Charter School	19 64733 6019525	x		Yes
48	Topeka Charter School For Advanced Studies	19 64733 6019533	x		Yes
49	Van Gogh Charter School	19 64733 6019673	x		Yes
50	Welby Way Charter Elementary and Gifted–High Ability Magnet	19 64733 6019855	x		Yes
51	Westwood Charter Elementary School	19 64733 6019939	x		Yes
52	Wilbur Charter For Enriched Academics	19 64733 6019954	x		Yes
53	Woodlake Elementary Community Charter	19 64733 6020036	x		Yes
54	Woodland Hills Elementary Charter For Enriched Studies	19 64733 6020044	x		Yes

(Continued)

		CDS Code	Affiliated	Fiscally Independent	Included in the District Audit
55	Academia Moderna	19 64733 0120097		x	No
56	Academic Performance Excellence Academy (APEX)	19 64733 0117077		x	No
57	Academy of Science and Engineering	19 64733 0126185		x	No
58	Accelerated, The	19 64733 6112536		x	No
59	Accelerated Charter Elementary School (ACES)	19 64733 0100743		x	No
60	Alain Leroy Locke College Preparatory Academy	19 64733 0118588		x	No
61	Alliance Alice M. Baxter College–Ready High	19 64733 0127217		x	No
62	Alliance Cindy and Bill Simon Technology Academy High School	19 64733 0121285		x	No
63	Alliance College–Ready Middle Academy 4	19 64733 0120030		x	No
64	Alliance College–Ready Middle Academy 5	19 64733 0120048		x	No
65	Alliance College–Ready Middle Academy 8	19 64733 0128033		x	No
66	Alliance College–Ready Middle Academy 12	19 64733 0128058		x	No
67	Alliance Collins Family College–Ready High School	19 64733 0108936		x	No
68	Alliance Dr. Olga Mohan High School	19 64733 0111500		x	No
69	Alliance Gertz–Ressler Richard Merkin 6–12 Complex	19 64733 0106864		x	No
70	Alliance Jack H. Skirball Middle School	19 64733 0111518		x	No
71	Alliance Judy Ivie Burton Technology Academy High	19 64733 0108894		x	No
72	Alliance Kory Hunter Middle School	19 64733 0128041		x	No
73	Alliance Leadership Middle Academy	19 64733 0128009		x	No
74	Alliance Leichtman–Levine Family Foundation Environmental Science High	19 64733 0117606		x	No
75	Alliance Marc & Eva Stern Math and Science, (California State University Los Angeles Campus)	19 64733 0111658		x	No
76	Alliance Margaret M. Bloomfield Technology Academy	19 64733 0124941		x	No
77	Alliance Marine – Innovation and Technology 6–12 Complex	19 64733 0132084		x	No
78	Alliance Morgan McKinzie High	19 64733 0116509		x	No
79	Alliance Ouchi–O'Donovan 6–12 Complex	19 64733 0111641		x	No
80	Alliance Patti and Peter Neuwirth Leadership Academy	19 64733 0111492		x	No
81	Alliance Piera Barbaglia Shaheen Health Services Academy	19 64733 0117598		x	No
82	Alliance Renee and Meyer Luskin Academy High School	19 64733 0124891		x	No
83	Alliance Susan and Eric Smidt Technology High School	19 64733 0123133		x	No
84	Alliance Ted K Tajima High	19 64733 0123141		x	No
85	Alliance Tennenbaum Family Technology High School *	19 64733 0121293		x	No
86	Animo College Preparatory Academy (Jordan Campus)	19 64733 0124883		x	No
87	Animo Ellen Ochoa Charter Middle School	19 64733 0123992		x	No
88	Animo Florence–Firestone Charter Middle	19 64733 0134023		x	No
89	Animo Jackie Robinson High School	19 64733 0111583		x	No
90	Animo James B. Taylor Charter Middle School	19 64733 0124008		x	No
91	Animo Jefferson Charter Middle School	19 64733 0122481		x	No
92	Animo Mae Jemison Charter Middle School	19 64733 0129270		x	No
93	Animo Pat Brown High School	19 64733 0106849		x	No
94	Animo Phillis Wheatley Charter Middle School (Clay Campus)*	19 64733 0124024		x	No
95	Animo Ralph Bunche Charter High School	19 64733 0111575		x	No
96	Animo South Los Angeles Charter Senior High	19 64733 0102434		x	No
97	Animo Venice Charter High School	19 64733 0106831		x	No
98	Animo Watts College Preparatory Academy	19 64733 0111625		x	No
99	Animo Western Charter Middle School (Clay Campus) *	19 64733 0124016		x	No
100	Animo Westside Charter Middle School	19 64733 0122499		x	No
101	Apple Academy Charter Public Schools (AACPS)	19 64733 0126078		x	No
102	Ararat Charter School	19 64733 0121079		x	No
103	Arts in Action Community Charter School	19 64733 0123158		x	No
104	Arts in Action Community Middle School	19 64733 0134205		x	No
105	Aspire Centennial College Preparatory Academy	19 64733 0126797		x	No
106	Aspire Firestone Academy *	19 64733 0122622		x	No
107	Aspire Gateway Academy Charter*	19 64733 0122614		x	No
108	Aspire Inskeep Academy Charter*	19 64733 0124800		x	No
109	Aspire Juanita Tate Academy Charter*	19 64733 0124792		x	No

* PSC = Public School Choice

(Continued)

		CDS Code	Affiliated	Fiscally Independent	Included in the District Audit
110	Aspire Junior Collegiate Academy	19 64733 0114884		x	No
111	Aspire Pacific Academy	19 64733 0122721		x	No
112	Aspire Slauson Academy Charter*	19 64733 0124784		x	No
113	Aspire Titan Academy	19 64733 0120477		x	No
114	Bert Corona Charter High	19 64733 0132126		x	No
115	Bert Corona Charter School	19 64733 0106872		x	No
116	Birmingham Community Charter High School	19 64733 1931047		x	No
117	Bright Star Secondary Charter Academy	19 64733 0112508		x	No
118	California Collegiate Charter	19 64733 0133884		x	No
119	Camino Nuevo Charter Academy (Burlington)	19 64733 6117667		x	No
120	Camino Nuevo Charter Academy 2 (Kayne Siart)	19 64733 0122861		x	No
121	Camino Nuevo Charter Academy 4 (Cisneros) *	19 64733 0124826		x	No
122	Camino Nuevo Charter High School	19 64733 0106435		x	No
123	Camino Nuevo Elementary School 3 (Eisner) *	19 64733 0122564		x	No
124	Camino Nuevo High School 2 (Dalzell Lance)	19 64733 0127910		x	No
125	Celerity Cardinal Charter School	19 64733 0123984		x	No
126	Celerity Dyad Charter School	19 64733 0115766		x	No
127	Celerity Nascent Charter School	19 64733 0108910		x	No
128	Celerity Octavia Charter School	19 64733 0122655		x	No
129	Celerity Palmati Charter School	19 64733 0123166		x	No
130	Celerity Troika Charter School	19 64733 0115782		x	No
131	Center for Advanced Learning	19 64733 0115139		x	No
132	Central City Value High School	19 64733 0100800		x	No
133	Charter High School of Arts–Multimedia & Performing School (CHAMPS)	19 64733 0108878		x	No
134	Chime Institute's Schwarzenegger Community School	19 64733 6119531		x	No
135	Citizens of the World Charter 2 (Silver Lake)	19 64733 0126177		x	No
136	Citizens of the World Charter 3 (Mar Vista)	19 64733 0126193		x	No
137	Citizens of the World Charter Hollywood	19 64733 0122556		x	No
138	City Language Immersion Charter	19 64733 0127886		x	No
139	Clemente Charter School	19 64733 0129825		x	No
140	Collegiate Charter High School of Los Angeles	19 64733 0131821		x	No
141	Community Preparatory Academy	19 64733 0129874		x	No
142	Crenshaw Arts–Technology Charter High School (CATCH)	19 64733 0101659		x	No
143	Crown Preparatory Academy	19 64733 0121848		x	No
144	Discovery Charter Preparatory School 2	19 64733 0115253		x	No
145	Downtown Value School	19 64733 6119903		x	No
146	Ednovate – USC East College Prep	19 64733 0132282		x	No
147	Ednovate – USC Hybrid High College Prep	19 64733 0125864		x	No
148	El Camino Real Charter High School	19 64733 1932623		x	No
149	Endeavor College Preparatory Charter School	19 64733 0120014		x	No
150	Equitas Academy Charter	19 64733 0119982		x	No
151	Equitas Academy 2 Charter	19 64733 0126169		x	No
152	Equitas Academy 3 Charter	19 64733 0129650		x	No
153	Everest Value School	19 64733 0129858		x	No
154	Executive Preparatory Academy of Finance	19 64733 0127852		x	No
155	Extera Public School	19 64733 0124198		x	No
156	Extera Public School No. 2	19 64733 0128132		x	No
157	Fenton Avenue Charter School	19 64733 6017016		x	No
158	Fenton Charter Leadership Academy	19 64733 0131722		x	No
159	Fenton Primary Center	19 64733 0115048		x	No
160	Fenton STEM Academy: Elementary Center for Science Technology Engineering and Mathematics	19 64733 0131466		x	No
161	Gabriella Charter School	19 64733 0108886		x	No
162	Gifted Academy of Mathematics and Entrepreneurial Studies	19 64733 0112334		x	No
163	Girls Athletic Leadership School Los Angeles	19 64733 0133710		x	No
164	Global Education Academy	19 64733 0114967		x	No

* PSC = Public School Choice

(Continued)

		CDS Code	Affiliated	Fiscally Independent	Included in the District Audit
165	Global Education Academy 2	19 64733 0129833		x	No
166	Global Education Academy Middle School	19 64733 0128116		x	No
167	Goethe International Charter School	19 64733 0117978		x	No
168	Granada Hills Charter High School	19 64733 1933746		x	No
169	High Tech Los Angeles	19 64733 0100677		x	No
170	ICEF Innovation Los Angeles Charter	19 64733 0117952		x	No
171	ICEF Lou Dantzler Preparatory Academy	19 64733 0117945		x	No
172	ICEF Vista Elementary Academy	19 64733 0117937		x	No
173	ICEF Vista Middle Academy	19 64733 0115287		x	No
174	Ingenium Charter	19 64733 0121137		x	No
175	Ingenium Charter Middle School	19 64733 0127985		x	No
176	Ivy Academia Charter School	19 64733 0106351		x	No
177	Ivy Bound Academy Math, Science, and Technology Charter Middle 2	19 64733 0128389		x	No
178	Ivy Bound Academy of Math, Science, and Technology Charter Middle	19 64733 0115113		x	No
179	James Jordan Middle School	19 64733 0109884		x	No
180	KIPP Academy of Innovation	19 64733 0128512		x	No
181	KIPP Academy of Opportunity	19 64733 0101444		x	No
182	KIPP Comienza Community Preparatory	19 64733 0121707		x	No
183	KIPP Empower Academy	19 64733 0121699		x	No
184	KIPP Ignite Academy	19 64733 0131771		x	No
185	KIPP Iluminar Academy	19 64733 0127670		x	No
186	KIPP Los Angeles College Preparatory	19 64733 0100867		x	No
187	KIPP Philosophers Academy	19 64733 0125609		x	No
188	KIPP Promesa Preparatory	19 64733 0131797		x	No
189	KIPP Raices Academy	19 64733 0117903		x	No
190	KIPP Scholar Academy	19 64733 0125625		x	No
191	KIPP Sol Academy	19 64733 0125641		x	No
192	KIPP Vida Preparatory Academy	19 64733 0129460		x	No
193	Larchmont Charter School	19 64733 0108928		x	No
194	Lashon Academy	19 64733 0128025		x	No
195	Libertas College Preparatory Charter	19 64733 0131904		x	No
196	Los Angeles Academy of Arts & Enterprise Charter (LAAAE)	19 64733 0110304		x	No
197	Los Angeles Leadership Academy	19 64733 1996610		x	No
198	Los Angeles Leadership Primary Academy	19 64733 0124818		x	No
199	Los Feliz Charter School for the Arts	19 64733 0112235		x	No
200	Magnolia Science Academy	19 64733 6119945		x	No
201	Magnolia Science Academy 2	19 64733 0115212		x	No
202	Magnolia Science Academy 3	19 64733 0115030		x	No
203	Magnolia Science Academy 4	19 64733 0117622		x	No
204	Magnolia Science Academy 5	19 64733 0117630		x	No
205	Magnolia Science Academy 6	19 64733 0117648		x	No
206	Magnolia Science Academy 7	19 64733 0117655		x	No
207	Magnolia Science Academy Bell *	19 64733 0122747		x	No
208	Math and Science College Preparatory	19 64733 0126136		x	No
209	Metro Charter School	19 64733 0127977		x	No
210	Monsenor Oscar Romero Charter Middle	19 64733 0114959		x	No
211	Montague Charter Academy for the Arts and Sciences	19 64733 6018204		x	No
212	Multicultural Learning Center	19 64733 6119044		x	No
213	N.E.W. Academy Canoga Park	19 64733 0102483		x	No
214	N.E.W. Academy of Science and Arts	19 64733 0100289		x	No
215	New Designs Charter School	19 64733 0102541		x	No
216	New Designs Charter School – Watts	19 64733 0120071		x	No
217	New Heights Charter School	19 64733 0111211		x	No
218	New Horizons Charter Academy	19 64733 0128371		x	No
219	New Los Angeles Charter School	19 64733 0117614		x	No

* PSC = Public School Choice

(Continued)

		CDS Code	Affiliated	Fiscally Independent	Included in the District Audit
220	New Los Angeles Elementary School	19 64733 0133702		x	No
221	New Millennium Secondary School	19 64733 0117911		x	No
222	New Village Girls Academy	19 64733 0111484		x	No
223	North Valley Military Institute College Preparatory Academy	19 64733 0100776		x	No
224	Ocean Charter School	19 64733 0102335		x	No
225	Oscar De La Hoya Animo Charter High School	19 64733 0101675		x	No
226	Our Community Charter School	19 64733 0109934		x	No
227	Pacoima Charter Elementary	19 64733 6018642		x	No
228	Palisades Charter High School	19 64733 1995836		x	No
229	Para Los Ninos Charter Middle School	19 64733 0117846		x	No
230	Para Los Ninos Charter School	19 64733 6120489		x	No
231	Para Los Ninos – Evelyn Thurman Gratts Primary Center *	19 64733 0122630		x	No
232	Pathways Community Charter	19 64733 0127878		x	No
233	Port of Los Angeles High School	19 64733 0107755		x	No
234	Prepa Tec – Los Angeles	19 64733 0127936		x	No
235	Public Policy Charter	19 64733 0131847		x	No
236	PUC CALS Charter Middle and Early College High School	19 64733 0133298		x	No
237	PUC Community Charter Elementary	19 64733 0129619		x	No
238	PUC Community Charter Middle and PUC Community Charter Early College High	19 64733 6116750		x	No
239	PUC Early College Academy for Leaders and Scholars (ECALS)*	19 64733 0124933		x	No
240	PUC Excel Charter Academy	19 64733 0112201		x	No
241	PUC Inspire Charter Academy	19 64733 0129593		x	No
242	PUC Lakeview Charter Academy	19 64733 0102442		x	No
243	PUC Lakeview Charter High	19 64733 0122606		x	No
244	PUC Milagro Charter	19 64733 0102426		x	No
245	PUC Nueva Esperanza Charter Academy	19 64733 0133280		x	No
246	PUC Santa Rosa Charter Academy	19 64733 0119974		x	No
247	PUC Triumph Charter Academy and PUC Triumph Charter High School	19 64733 0133272		x	No
248	Puente Charter School	19 64733 6120471		x	No
249	Renaissance Arts Academy	19 64733 0101683		x	No
250	Renaissance Arts Academy K–12	19 64733 0131680		x	No
251	Resolute Academy Charter	19 64733 0131870		x	No
252	Rise Kohyang High School	19 64733 0133868		x	No
253	Rise Kohyang Middle	19 64733 0124222		x	No
254	Santa Monica Boulevard Community Charter School	19 64733 6019079		x	No
255	Stella Middle Charter Academy	19 64733 0100669		x	No
256	Summit Preparatory Charter	19 64733 0131839		x	No
257	Synergy Charter Academy	19 64733 0106427		x	No
258	Synergy Kinetic Academy *	19 64733 0117895		x	No
259	Synergy Quantum Academy *	19 64733 0124560		x	No
260	TEACH Academy of Technologies	19 64733 0122242		x	No
261	TEACH Tech High School	19 64733 0129627		x	No
262	The City School	19 64733 0134148		x	No
263	University Preparatory Value High	19 64733 0132027		x	No
264	Valley Charter Elementary School	19 64733 0122754		x	No
265	Valley Charter Middle School	19 64733 0122838		x	No
266	Valor Academy Elementary School	19 64733 0133694		x	No
267	Valor Academy High School	19 64733 0127894		x	No
268	Valor Academy Middle School	19 64733 0120022		x	No
269	Vaughn Next Century Learning Center	19 64733 6019715		x	No
270	View Park Preparatory Accelerated Charter	19 64733 6117048		x	No
271	View Park Preparatory Accelerated Charter Middle School	19 64733 6121081		x	No
272	View Park Preparatory Accelerated High School	19 64733 0101196		x	No
273	Village Charter Academy	19 64733 0129866		x	No
274	Vista Charter Middle School	19 64733 0122739		x	No
275	Wallis Annenberg High School	19 64733 0100750		x	No
276	Watts Learning Center	19 64733 6114912		x	No
277	Watts Learning Center Charter Middle School	19 64733 0120527		x	No
278	Westside Innovative School House (WISH)	19 64733 0121012		x	No
279	Westside Innovative School House Charter Middle (WISH)	19 64733 0129379		x	No

* PSC = Public School Choice

(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 114-116 provides additional trending information for the basis by which most state and local revenues are received by the District.

(2) Purpose of Schedules

(a) Schedule of Average Daily Attendance

Average daily attendance is a measurement of the number of pupils attending classes of the District. The purpose of attendance accounting from a fiscal standpoint is to provide the basis on which apportionments of state funds are made to school districts. This schedule provides information regarding the attendance of students at various grade levels and in different programs.

The schedule of average daily attendance for each of the District's affiliated charter schools is provided separately.

(b) Schedule of Instructional Time Offered

The District has received incentive funding for increasing instructional time as provided by the Incentive for Longer Instructional Day. This schedule presents information on the amount of instructional time offered by the District and whether the District complied with the provisions of Education Code Sections 46201 through 46206.

(c) Schedule of Financial Trends and Analysis

This schedule focuses on financial trends by displaying past years' data along with current budget information and evaluates the District's ability to continue as a going concern for a reasonable period of time.

(d) Reconciliation of Unaudited Actual Financial Reports with Audited Financial Statements

This schedule provides the information necessary to reconcile the differences between fund balances reported on the unaudited actual financial reports and the audited financial statements.

(e) Schedule of Charter Schools

This schedule lists all charter schools chartered by the District, and indicates whether or not the charter school is included in the District's audit.

LOS ANGELES UNIFIED SCHOOL DISTRICT
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2017

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		$ 109,876,622	
Child Nutrition School Programs Lunch	10.555	PCA13523/PCA13524		147,101,702	
Child Nutrition School Programs Snack	10.555	PCA13755		9,016	
Donated Food Commodities	10.555	Not Available		21,534,190	
Child Nutrition Summer Food Services Program Operations	10.559	PCA13004		3,942,830	
Child Nutrition Summer Food Services Program Sponsor Administration	10.559	PCA13006		418,464	
Subtotal Expenditures – Child Nutrition Cluster					282,882,824
Child Nutrition Child Care Food Program Claims	10.558	PCA13529			51,104,267
Child Nutrition Child Care Food Program – Cash in Lieu of Commodities	10.558	PCA13534			3,512,465
Subtotal CFDA 10.558					54,616,732
Child Nutrition Team Nutrition-Front Line Professional Education Mini Grants	10.574	PCA01188/15332			71,767
Passed through California Department of Health Services:					
Network 4 Healthy California	10.561	PH-002580			139,992
Forest Reserve	10.665	PCA#10044			42,615
Subtotal Pass-Through Programs					337,753,930
Total U.S. Department of Agriculture					337,753,930
U.S. Department of Defense:					
Reserve Officer Training Corps Vitalization Act	12.unknown	Not Available			2,041,053
Startalk: Exploring Arabic Through Technology, Visual Arts and Photography	12.900	H98230-16-1-0124			74,128
Subtotal Direct Programs					2,115,181
Total U.S. Department of Defense					2,115,181
U.S. Department of Housing & Urban Development:					
Passed through City of Carson:					
Carson Guidance – CDBG Entitlement Grants Cluster	14.218	MOU			15,111
Subtotal Pass-Through Programs					15,111
Total U.S. Department of Housing and Urban Development					15,111
U.S. Department of Justice:					
Passed through City of Los Angeles:					
Second Chance Act	16.812	C-125850-1			56,960
Subtotal Pass-Through Programs					56,960
Total U.S. Department of Justice					56,960
U.S. Department of Labor:					
Youth Career Connect Program	17.274	YC-25413-14-60-A-6			1,641,251
Subtotal Direct Program					1,641,251
Passed through Catholic Charities of Los Angeles:					
Youth Build	17.274	C4400005521			23,125
Subtotal Pass-Through Programs					23,125
Passed through Employment Development Department:					
Employment Development Department Trade Act:					
Harbor Occupational Center	17.245	Various			2,850
Huntington Park Community Adult School	17.245	Various			3,186
Various Service Areas	17.245	Various			41,536
Subtotal CFDA 17.245					47,572
Passed through City of Los Angeles:					
Workforce Innovation and Opportunity Act (WIOA): Worksource Educational Partnership	17.258	C-129057		163,671	
Passed through Watts Labor Community Action Committee:					
Workforce Investment Act – WorkSource Center-Adult	17.258	127817/127738		63,276	
Workforce Investment Act – Youth Opportunity Program	17.259	127749		31,322	
Passed through City of Hawthorne:					
Workforce Investment Act – I-TRAIN - Harbor	17.258	16-0174-0-1-504		834	
Passed through City of Los Angeles:					
Workforce Investment Act – T-1 Youth Source System	17.259	127001		1,083,016	

(Continued)

LOS ANGELES UNIFIED SCHOOL DISTRICT
Schedule of Expenditures of Federal Awards (Continued)
Year Ended June 30, 2017

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 Para Los Ninos:					
Workforce Investment Act – Youth	17.259	122755-16L		$ 98,973	
Passed through Archdiocesan Youth Employment Services:					
Workforce Investment Act – Youth	17.259	T5787		43,079	
Subtotal Expenditures – WIOA Cluster					1,484,171
Subtotal Pass-Through Programs					1,554,868
Total U.S. Department of Labor					3,196,119
National Science Foundation:					
UCLA-Sub-Agreement:Project Mobilize	47.076	0070 G ND220			146,089
UCLA-Sub-Agreement: Into the Loop Program	47.076	0070 G SE659			97,488
USC-Math for America Los Angeles	47.076	Not Available			23,000
Subtotal Direct Program					266,577
Total National Science Foundation					266,577
Environmental Protection Agency:					
EPA-One Water Los Angeles Curriculum	66.951	99T30701			24,955
Subtotal Direct Program					24,955
Total Environmental Protection Agency					24,955
U.S. Department of Education:					
Indian Education	84.060	S060A14283			193,458
Skills for Success Program	84.215	U215H150111			466,829
Gaining Early Awareness and Readiness for Undergraduate Programs (GEAR-UP):					
GEAR-UP 4 LA	84.334	P334A110166/P334A140118	1,112,196		4,388,038
GEAR-UP-Project Steps	84.334	P334A110159	182,823		1,423,810
Subtotal CFDA 84.334					5,811,848
Arts in Education-Professional Development for Arts Educator	84.351	U351C140064	77,906		95,048
Teacher Incentive Fund	84.374	S374A120066			2,540,603
Magnet Schools Assistance	84.165	U165A130049			2,161,021
Subtotal Direct Programs					11,268,807
Passed through California Department of Education:					
Workforce Innovation and Opportunity Act – Adult Basic Ed/ESL	84.002	14508			7,763,878
Workforce Innovation & Opportunity Act – Ad Ed & Fam Lit/EL-Civics	84.002	14109			2,956,077
Workforce Innovation & Opportunity Act – Adult Secondary Ed	84.002	13978			2,446,156
Subtotal CFDA 84.002					13,166,111
Elementary and Secondary Education Act, Title I	84.010	14329			319,995,809
Elementary and Secondary Education Act, Title I Delinquent	84.010	14357			1,678,505
Elementary and Secondary Education Act, Title I Neglected	84.010	14329			818,089
Subtotal CFDA 84.010					322,492,403
Special Ed: IDEA Local Assistance, Part B, Sec.611 Early Intervening Services	84.027	PCA#10119		11,961,761	
Special Ed: IDEA Basic Local Assistance Entitlement	84.027	15-13379-6473-01		113,832,413	
Special Ed: IDEA Local Assistance, Private School ISPs	84.027	PCA#10115		1,542,502	
Special Ed: IDEA Mental Health Allocation Plan	84.027	15-15197-6473-01		6,954,953	
Special Ed: IDEA – Pre-School Local Entitlement	84.027	13-13682-6473-01		11,106,115	
Special Ed: CEIS 15% IDEA PART B,SEC 611	84.027	14-13839-6473-01		1,627,985	
IDEA Preschool Expansion Grant	84.173	15-13430-6473-01		4,789,252	
PreSchool Expansion – Staff Development	84.173	15-13431-6473-01		32,118	
Special Ed: CEIS 15% IDEA PART B,SEC 619	84.173	10131		737,307	
Special Ed: IDEA – Embedded Instruction	84.173	14-13839-6473-01		112,936	
Special Ed: IDEA – Alternate Dispute Resolution,Part B-Sec 611	84.173	PCA 13007		54,021	
IDEA Preschool Desired Result	84.173	15-14688-6473-01		23,684	
Subtotal Expenditures – Special Education Cluster					152,775,047
Carl D. Perkins – Secondary Program, Sec131	84.048	14894			6,838,657
Carl D. Perkins – Vocational and Technical Education, Sec 132	84.048	14893			1,013,526
Subtotal CFDA 84.048					7,852,183
Early Intervention Funds – Part C	84.181	13-23761-6473-01			1,178,111

(Continued)

LOS ANGELES UNIFIED SCHOOL DISTRICT

Schedule of Expenditures of Federal Awards (Continued)

Year Ended June 30, 2017

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
Education for Homeless Children & Youth	84.196	14332			$ 237,099
Twenty-first Century Learning Centers	84.287	14349			411,622
Twenty-first Century Learning Centers	84.287	14535	12,767,535		16,782,260
Twenty-first Century Learning Centers	84.287	14603			1,630,116
Twenty-first Century Learning Centers	84.287	14604			554,751
Subtotal CFDA 84.287					19,378,749
Advanced Placement	84.330	PCA14831			1,709,139
Title III, Limited English Proficient	84.365	14346/03 15146			13,824,871
No Child Left Behind Title II-A – Teacher Quality	84.367	14341			36,654,282
School Improvement Grant	84.377	15183/15248/15364			15,533,286
Passed through Los Angeles County Office of Education:					
Title I – Migrant Ed – Regular	84.011	14326/14768			798,889
Title I – Migrant Ed – Summer	84.011	10005/14768			322,652
Subtotal CFDA 84.011					1,121,541
Passed through Napa County Office of Education:					
Project READ – Peary Middle School	84.325	MOU			7,875
Passed through The Regents of the University of California:					
California GEAR-UP	84.334	15-GEAR UP-1622			14,875
System of Professional Growth for CCSS Implementation	84.367	09-002383-12			21,624
Passed through Literacy Design Collaborative:					
Literacy Design Collaborative Federal i3 Grant	84.411	MOU 2015-16SY			179,170
Passed through MDRC:					
Power Teaching i3 Scale Up Evaluation	84.411	MOU			47,030
Diplomas Now	84.411	U396B100257			14,819
Passed through Old Dominion Univ. Research Foundation-Technology:					
Facilitated Scale Up of a Proven Model	84.411	13-227-317101			51,594
Subtotal CFDA 84.411					292,613
Passed through State Department of Rehabilitation:					
Rehab-Transition Partnership Program/Trans Part-Greater LA	84.126	28903/EP1313027/29958/29956			1,390,200
CA PROMISE-(Promoting Readiness of Minor in Supp'l Income)	84.418	29139			1,206,189
Passed through Center for Collaborative Education:					
Principal Residency Network	84.363	MOU/4400003138			225,674
Subtotal Pass-Through Programs					589,081,872
Total U.S. Department of Education					600,350,679
U.S. Department of Health & Human Services:					
CDCP-School Based HIV/STD Prevention	93.079	5U87PS004181-.03/5NU87PS004181-04-00			587,285
SAMHSA-Now is the Time-Project AWARE	93.243	1H79SM061953-01			40,930
CMS-Cycle II & Cycle III Chipra Outreach	93.767	1ZOCMS331214-01-00			9,752
MACRA Connect Kids Coverage	93.767	1ZOCMS331515-01-00			509,319
Subtotal Direct Programs					1,147,286
Passed through Dibble Institute:					
Dibble Inst-BldgBrighter Future	93.086	90FM0010-01-00			86,024
Passed through County of Los Angeles:					
Maternal Infant and Early Childhood Home Visiting Program	93.505	PH-002170			934,506
County Youth Jobs-CalWorks & Foster Youth	93.558	1314-01			52,658
Passed through City of Los Angeles:					
County Youth Jobs Program-CalWorks	93.558	C128617			594,905
County Youth Jobs Program-CalWorks	93.558	C126170			801,115
County Youth Jobs Program-CalWorks	93.558	C123950-1			314,287
County Youth Jobs Program-CalWorks	93.558	C123950			198,892
Passed through California Department of Education:					
General Child Care Center-Block Grant	93.575	PCA15136		1,601,035	
General Child Care Center-Mandatory & Matching Fund	93.596	PCA13609		3,485,615	
Subtotal Expenditures – Child Care Development Fund Cluster					5,086,650

(Continued)

LOS ANGELES UNIFIED SCHOOL DISTRICT
Schedule of Expenditures of Federal Awards (Continued)
Year Ended June 30, 2017

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 Los Angeles County Office of Education:					
ARRA-State Grants to Promote Health Information Technology	93.719	Not Available			$ 38,935
Medi-Cal Administrative Activity	93.778	C-15048-A1:15:17			6,222,866
Subtotal Pass-Through Programs					14,330,838
Total U.S. Department of Health & Human Services					15,478,124
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			6,932
Hazard Mitigation Grant Program-FEMA 1731-DR-CA-Manhattan	97.039	HMGP#1731-76-24			9,420
Subtotal Pass-Through Programs					16,352
Total U.S. Department of Homeland Security					16,352
Total Expenditures of Federal Awards					$ 959,273,988

LOS ANGELES UNIFIED SCHOOL DISTRICT

Notes to Schedule of Expenditures of Federal Awards

Year Ended June 30, 2017

(1) General

The accompanying schedule of expenditures of federal awards presents the expenditures of all federal financial assistance programs for the Los Angeles Unified School District (District). The District's reporting entity is defined in the notes to the District's basic financial statements. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

(2) Basis of Accounting

The accompanying schedule of expenditures of federal awards is presented using the modified accrual basis of accounting, as described in Note 1 of the notes to the District's basic financial statements. Such expenditures are recognized following, as applicable, either the cost principles in Office of Management and Budget Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, or the cost principles contained in Title 2 U.S. Code of Federal Regulation Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in, the preparation of the District's basic financial statements but agrees in all material respects.

(3) Indirect Cost Rate

The District did not elect to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

(4) Noncash Assistance

Included in the schedule of expenditures of federal awards is (CFDA #10.555) $21,534,190 of donated food commodities received from the U.S. Department of Agriculture, passed-through the State of California, during the year ended June 30, 2017.

(5) Prior Year Expenditures

Included in the schedule of expenditures of federal awards under CFDA 93.558, passed-through the City of Los Angeles, are expenditures in the amount of $801,115 incurred for the fiscal year ended June 30, 2016 under contract no. C-126170 and expenditures in the amount of $198,892 and $314,287 incurred for the fiscal years ended June 30, 2014 and 2015, respectively under contract no. C-123950.

OTHER INDEPENDENT AUDITOR REPORTS

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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, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 14, 2017.

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 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, a material weakness may exist that has not been identified. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be a significant deficiency as item FS-2017-001.

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*.

District's Response to Findings

The District's response to the findings identified in our audit is 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 the financial statements and, accordingly, we express no opinion on it.

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.

Simpson & Simpson

Los Angeles, California
December 14, 2017

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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, 2017. 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 compiled, 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, 2017.

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-2017-001 to F-2017-005. 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-2017-001, F-2017-002, F-2017-004, and F-2017-005 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-2017-001 and F-2017-003 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.

Simpson & Simpson

December 14, 2017
Los Angeles, California

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Independent Auditor's Report on State Compliance

To The Honorable Board of Education
Los Angeles Unified School District

Report on Compliance

We have audited the compliance of the **Los Angeles Unified School District** (the District), with the compliance requirements described in the *2016-17 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* (the Guide) for the year ended June 30, 2017. 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 *2016-17 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting,* prescribed in the California Code of Regulations (CCR), Title 5, sections 19810-19854. Those standards and the Guide require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above occurred. An audit also includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. However, our audit does not provide a legal determination of the District's compliance with those requirements.

In connection with the audit referred to above, we selected and tested transactions and records to determine the District's compliance with state laws and regulations applicable to the following programs:

	Procedures performed
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
Mental Health Expenditures	Yes
Education Effectiveness	Yes
California Clean Energy Jobs Act	Yes
After School Education and Safety Program:	
General Requirements	Yes
After School Program	Yes
Before School Program	Yes
Proper Expenditures of Education Protection Account Funds	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes

	Procedures performed
Local Control and Accountability Plan	Yes
Independent Study-Course Based	Not applicable***
Immunizations	Yes
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 2016-17.

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

*** The District does not have any Independent Study-Course Based Programs; therefore, we did not perform any testing related to this requirement.

**** The District does not have any Nonclassroom-Based Instruction/Independent Study for Charter Schools; therefore, we did not perform any testing related to this requirement.

***** The District's charter schools did not receive Charter School Facility Grant Program funding; therefore, we did not perform any testing related to this requirement.

Opinion

In our opinion, the District complied, in all material respects, with the compliance requirements referred to above that are applicable to each of its programs for the year-ended June 30, 2017.

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-2017-001 through S-2017-009. Our opinion is not modified with respect to these matters.

The District's responses to the noncompliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The District's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Simpson & Simpson

Los Angeles, California
December 14, 2017

LOS ANGELES UNIFIED SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

June 30, 2017

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?	Yes
Noncompliance material to financial statements noted?	None noted

Federal Awards

Internal control over major programs:	
• Material weakness(es) identified?	Yes
• Significant deficiency(ies) identified that are not considered to be material weaknesses?	Yes

Identification of major programs and type of auditor's report issued on compliance for each major program:

CFDA #	Name of Federal Program	Opinion
	Department of Agriculture – Child Nutrition Cluster:	Unmodified
10.553	School Breakfast Program	
10.555	National School Lunch Program	
10.559	Summer Food Service Program for Children	
84.002	Department of Education – Workforce Investment Act, Title II: Adult Education and Family Literacy Act	Unmodified
84.010	Title I Grants to Local Educational Agencies	Unmodified
84.048	Department of Education – Vocational Education Basic Grants to States (Perkins IV)	Unmodified
84.165	Magnet Schools Assistance	Unmodified
84.287	Department of Education – Twenty-First Century Community Learning Centers	Unmodified

LOS ANGELES UNIFIED SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

June 30, 2017

CFDA #	Name of Federal Program	Opinion
84.330	Department of Education – Advanced Placement	Unmodified
84.334	Department of Education – Gaining Early Awareness and Readiness for Undergraduate Programs (GEAR-UP)	Unmodified
84.365	Department of Education – English Language Acquisition Grants	Unmodified
	Department of Health and Human Services – Child Care Development Fund Cluster:	Unmodified
93.575	Child Care and Development Block Grant	
93.596	Child Care Mandatory and Matching Funds of the Child Care and Development Fund	

• Any audit findings disclosed which are required to be reported in accordance with 2 CFR 200.516:	Yes
• Dollar threshold used to distinguish between type A and type B programs:	$3,000,000
• Auditee qualified as low risk auditee	No

State Awards

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

****

Section II – Findings Relating to the Basic Financial Statements which are Required to be Reported in Accordance with Government Auditing Standards

FS-2017-001 MISIS User Access– Significant Deficiency

State Audit Guide Finding Code: 30000

Criteria

A division of roles and responsibilities should exist that reduces the possibility for an individual from performing duties not relevant to their respective job and/or position.

Condition

During the course of our review of MISIS access for eleven (11) sampled schools, we noted one (1) withdrawn user and one (1) retired user with MISIS Office Manager Role access as follows:

- User ID # 00264684 LD Northeast (Retiree)
- User ID # 00669294 Kenter Canyon (Withdrawn)

Cause and Effect

Inadequate restriction to modify/update access to production student accounting data can result in unauthorized changes that adversely impact the integrity of accounting and financial reporting information

Recommendation

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

Management Response

Retiree- User

MISIS access for the retiree was removed on June 12, 2017 after confirming that she has retired from LAUSD. Access to MISIS is restricted via several processes. As employees leave the District, their SingleSign ON account is disabled and consequently, their access to all District applications is disabled as well. In MISIS, as new data from our human resources system is received, user role and assignment records for schools are expired. Lastly, principals can also remove access via the EZ Access application or MISIS Help Desk request.

The MISSI team will explore options for better identifying changes to an employee's employment status, job classification, and or cost center. Furthermore, we will ask that changes to any of these three attributes require reauthorization of the users' access to the system.

Withdrawn - User

MISIS access for the withdrawn user was removed on June 12, 2017 after confirming with the administrator at Kenter Canyon EC as the principal had not taken action on EZ Access. Per the recommendations in the "MISIS Staff Access Management" document for School Administrators, principals are to monitor who has access to their school(s) by running the Security Audit Report from MISIS. In most cases, a principal can use the EZ Access application to make any changes needed to the level of access (including the removal of access). More specifically, the principal can remove all or some user roles for each departing staff member. The modified record will update MISIS via an PAI (application program interface). If the principal cannot remove the user role via EZ Access, he/she can contact the MISIS Help Desk to request that the change(s) be made.

Section III – Findings and Questioned Costs Relating to Federal Awards

Program Identification

Finding Reference Number:	**F-2017-001**
Federal Program Title, Awarding Agency, Pass-Through Entity, Catalog of Federal Domestic Assistance (CFDA) Number, and Award Number:	School Breakfast Program, National School Lunch Program, Summer Food Service Program for Children, U.S. Department of Agriculture, Passed through the California Department of Education, CFDA No. 10.553, 10.555, 10.559, PCA No. 13525, 13526, 13523, 13524, 13755, 13004, 13006 (Material Weakness) Title I Grants to Local Educational Agencies (Title I, Part A of the ESEA), U.S. Department of Education, Passed through the California Department of Education, CFDA No. 84.010, PCA 14329; (Significant Deficiency) Career and Technical Education-Basic Grants to States (Perkins IV), U.S. Department of Education, passed through California of Education (CDE), CFDA No. 84.048, Grant Agreement No. 16-14894-6473-00; (Significant Deficiency) Twenty-First Century Community Learning Centers, U.S. Department of Education, Passed through the California Department of Education, CFDA No. 84.287, Grant Agreement No. 16-14604-6473-8A (Significant Deficiency) Child Care and Development Fund: Child Care and Development Block Grant, Child Care Mandatory and Matching Funds of the Child Care and Development Fund, U.S. Department of Health and Human Services, Passed through the California Department of Education, CFDA No. 93.575 and 93.596, Grant Agreement CSPP-6198 and CCTR-6099; (Material Weakness)
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;
- 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 2643.6, Documentation for Employees Paid from Federal and State Categorical Programs, the Semi-Annual Certification (Attachment B) or Blanket Semi-Annual Certification (Attachment C) must be completed each fiscal year. The first semi-annual certification is for the period July 1st through December 31st, and the second semi-annual certification is for the period January 1st through June 30th. These reports 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 200.430 and Policy Bulletin 2643.6.

Child Nutrition Cluster: In our sample of sixty (60) payroll expenditures, we noted that eight (8) employees provided signed multi-funded time reports; however, the hours reported on the time reports did not support the hours recorded on SAP, the District's accounting system.

Total exceptions amounted to $5,352 of the $189,645 sampled from $167,071,782 of the total payroll expenditures.

Title I Grants to Local Educational Agencies: In our sample of sixty (60) payroll expenditures, we noted that one (1) employee provided a signed semiannual certification; however, the certification was signed subsequent to our request.

Total exceptions amounted to $2,240 of the $188,832 sampled from $278,890,918 of the total payroll expenditures.

***Career and Technical Education-Basic Grants to States - Perkins IV**:* In our sample of sixty (60) payroll expenditures, we noted that two (2) employees at two (2) different schools provided signed semiannual certifications; however, the certifications were dated subsequent to our request.

Total exceptions amounted to $1,440 of the $44,596 sampled from the $793,315 of the total payroll expenditures.

***21st Century Community Learning Centers**:* In our sample of sixty (60) payroll expenditures, we noted that one (1) employee provided signed semiannual certifications; however, the certification was dated subsequent to our request.

Total exceptions amounted to $563 of the $36,238 sampled from the $1,853,753 of the total payroll expenditures.

***Child Care and Development Fund Cluster*:** In our sample of sixty (60) payroll expenditures, we noted that three (3) employees at three (3) different school sites provided signed semiannual certifications; however, the certifications were dated subsequent to our request. We noted that one (1) of the three (3) employees noted was a substitute early education center aide who had initially refused to sign the certification, which caused the untimeliness.

Total exceptions amounted to $6,752 of the $106,876 sampled from the $4,745,264 of the total payroll expenditures.

Our sample was a statistically valid sample.

Cause and Effect

The untimely certifications appear to be incidents in which employees did not follow the District's policies and procedures. The discrepancies between time-reports and SAP data seem to be due to clerical error and lack of sufficient review.

Questioned Costs:

The total cost related to the above-mentioned conditions amounted to $16,347.

Child Nutrition Cluster (CFDA 10.553, 10.555, 10.559): $5,352 due to unsupported hours charged.

Title I Grants to Local Educational Agencies (CFDA 84.010): $2,240 due to untimely certifications.

Career and Technical Education-Basic Grants to States - Perkins IV (CFDA 84.048): $1,440 due to untimely certifications.

21st Century Community Learning Centers (CFDA 84.287): $563 due to untimely certifications.

Child Care and Development Fund Cluster (CFDA 93.575 & 93.596): $6,752 due to untimely certifications.

Recommendation

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

View of Responsible Officials, Corrective Action Plans, and Contact Information

The District agrees with the audit findings.

Child Nutrition Cluster:

Time keepers will be retrained on correct procedures to input hours worked in SAP. The training will be completed by December 2017. Food Services Division will conduct monthly audits on the PAR forms and time cards to ensure that they match entries in SAP starting December 2017.

Name: Joseph Vaughn
Title: Director of Food Services
Telephone: (213) 241-2993

Title I Grants to Local Educational Agencies:

The Federal and State Education Programs (FSEP) office will implement the following actions to ensure that federal time and effort reporting requirements are adhered to for all staff whose salary is paid for with Title I funds.

1. By the end of January 2018, a meeting will be held for all employees who are centrally funded with Title I (fully or partially). The employee's supervisor, time reporter, and fiscal staff member will also be required to be in attendance. The meeting will cover a number of topics including District expectations regarding federal time and effort reporting requirements.
2. Annually, the FSEP office will provide each Title I centrally-funded staff member and their supervisor, time reporter, and fiscal manager with written communication listing all federally-funded staff and the expectations for completing timely and accurate time and effort reports.
3. Beginning in January 2018, the FSEP office will collect periodic certifications and Personnel Activity Reports (PARs) for all centrally-funded Title I personnel to review for adherence to federal and District requirements.
4. Beginning in January 2018, each Local District (6 in total) will be directed to identify a minimum of three schools and to ask for PAR and periodic certifications documentation for school site employees funded with Title I. FSEP staff will review and provide feedback to each Local District regarding the timeliness, completeness and accuracy of the documentation. Title I Coordinators will relay this information to selected schools.

5. FSEP will collaborate with district staff in the controller's office to provide training to Local District Title I Coordinators who will then provide training to school site Title I designees at one or more of their monthly Title I Coordinator meetings.

Name: Karen Ryback
Title: Executive Director, Federal & State Education Programs
Telephone: (213) 241-6990

Career and Technical Education-Basic Grants to States - Perkins IV:

The annual certifications were signed after the due date by teaching assistants in the CTE classrooms. The CTE office will now have a calendar listing of which personnel need to fill out this certification and ensure deadlines are met.

Name: Seema Puri
Title: CTE Coordinator
Telephone: (213) 241-1298

***21st Century Community Learning Centers**:*

Program personnel are required to attend a "Start Up Meeting" scheduled prior to the beginning of the school year. During the "Start-Up Meeting," time will be spent on training staff on the importance of properly documenting and maintaining accurate documentation of Semi Annual Certification per LAUSD Policy Bulletin 2643 .6.

Beyond the Bell will continue to monitor these changes in protocol to ensure that the procedures are followed, and all information is reported accurately and properly documented.

Name: Harry Talbot
Title: Administrative Coordinator
Telephone: (213) 241-7900

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

The Early Childhood Education Division administrators will send an email to remind Early Education Center Time Reporters and Time Approvers to verify that time reported and certified in SAP should match the time indicated on multi-funded time reports. In addition, the Division administrators will send an email to remind Early Education Center Principals to review and verify that semi-annual certifications are completed accurately for both periods, the first period July 1st through December 31st, and the second semi-annual certification is for the period January 1st through June 30th. These reports should be completed on time no later than January 31st and July 31st, respectively. Division administrators will complete the above actions no later than January 31, 2018.

Name: Dean Tagawa
Title: Executive Director, Early Childhood Education
Telephone: (213) 241-0415

Program Identification

Finding Reference Number:	**F-2017-002**
Federal Catalog of Domestic Assistance Number(s):	93.575 and 93.596
Federal Program Titles:	Child Care and Development Fund: Child Care and Development Block Grant, Child Care Mandatory and Matching Funds of the Child Care and Development Fund (Material Weakeness)
Awarding Agency/Pass-Through Entity:	U.S. Department of Health and Human Services, California Department of Education
Award Number:	Grant Agreement CSPP-6198 and CCTR-6099
Compliance Requirement:	Eligibility
State Audit Guide Finding Code:	30000 and 50000

Criteria

Section II.C Certification of Eligibility and/or Need of General Child Care and Development Programs Program Requirements with California Department of Education (CDE):

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

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

Section II.D Contents of Family Data File of CCTR and CSPP Program Requirements with CDE:

- The Contractor shall establish and maintain a family data file for each family receiving child care and development services.
- The family data file shall contain a completed and signed application for services and the following records as applicable to determine eligibility and need in accordance with above:
  a. Documentation of income eligibility, including an income calculation worksheet;
  b. Documentation of employment;
  c. Documentation of seeking employment;
  d. Documentation of training;
  e. Documentation of parental incapacity;
  f. Documentation of child's exceptional needs;
  g. Documentation of homelessness;
  h. Documentation of seeking permanent housing for family stability;
  i. Documentation of referral for child protective services;
  j. Documentation of referral for a child at risk of abuse, neglect or exploitation.

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

Section II.E Family Data File And Documentation of CCTR and CSPP Program Requirements with CDE:

After initial certification and enrollment, the contractor shall verify need and eligibility and recertify each family/child as follows:

a. Families receiving services because the child is at risk of abuse, neglect, or exploitation shall be recertified at least once every six months. The family can continue to receive child care and development services based on any of the following reasons:
    i. The child is receiving protective services and child care and development services are part of the case plan.
    ii. The family meets other need and eligibility criteria pursuant to *EC* 8263(a) (1) and (a) (2).
b. Families receiving services because of actual abuse, neglect or exploitation shall be recertified at least six months, and the time of recertification, the contractor shall document that the family is participating in a protective services plan in accordance with the requirements of their local county welfare department, child protective services unit to alleviate the circumstances causing the abuse, neglect, or exploitation
c. All other families shall be recertified at least once each contract period and at intervals not to exceed twelve (12) months.

Early Education Center Program Manual – Program Policy (CSPP and CCTR) states:

2.11.1 The 9600 (Confidential Application for Child Development Services and Certification of Eligibility) and the Notice of Action are then generated from the Family Summary page in EESIS. Verify that the information, including all dates, are correct on the 9600. The 9600 must be signed in Section VII by the EEC Principal. The parent must sign and date Section V.

2.11.2 A Notice of Action (NOA) must be generated in order to finalize the process and generate fees, if applicable. The NOA advises the parent of due process requirements if they disagree with the agency's actions. The NOA must be given to the parent at least fourteen (14) calendar days before the effective date of the intended action (19 calendar days if mailed).

45 CFR section 98.45(k):

Lead Agencies shall establish, and periodically revise, by rule, a sliding fee scale(s) for families that receive CCDF child care services that:

(1) Helps families afford child care and enables choices of a range of child care options;
(2) Is based on income and the size of the family and may be based on other factors as appropriate, but may not be based on the cost of care or amount of subsidy payment;
(3) Provides for affordable family co-payments that are not a barrier to families receiving assistance under this part; and
(4) At Lead Agency discretion, allows for co-payments to be waived for families whose incomes are at or below the poverty level for a family of the same size, that have children who receive or need to receive protective services, or that meet other criteria established by the Lead Agency.

Condition

In our procedures performed to determine eligibility for the childcare programs funded by this cluster, we sampled a total of sixty (60) participants from twenty (20) out of eighty-six (86) Early Education Centers (EECs) and requested the family files such as annual recertification forms, pay stubs or letter and noted the following exceptions:

a) Two (2) files lacked proper documentation to confirm re-certification occurred within a 12-month period.
b) One (1) file had Income Worksheet calculating monthly income at $1,593 for a family size of 5, which should have resulted in no monthly fees. However, our review of the fee statement showed that the family was erroneously assessed a monthly fee of $195.
c) One (1) file had Income Worksheet calculating monthly income at $2,138 for a family size of 3, which should have resulted in a monthly fee of $84. However, our review of the fee statement showed that the family was erroneously assessed a monthly fee of $42.

Our sample was a statistically valid sample.

Cause and Effect

It appears that a lack of sufficient monitoring by the District over the functions performed by the center managers and possible staffing issues have resulted in errors during eligibility determination and annual recertification.

This finding is a repeat finding and has been reported previously for June 30, 2016 (F-2016-003).

Questioned Costs

The questioned cost could not be assessed for the exceptions noted for (a) because they may or may not have an impact on the family's calculated monthly income.

The questioned cost for (b) representing the over-charging of the family fee amounted to $2,340 ($195*12=$2,340).

The questioned cost for (c) representing the under-charging of the family fee amounted to $462 ($84-42) *11=$462).

Recommendation

We recommend that the District continue to strengthen its monitoring process to ensure that student files are reviewed on a regular basis in order to comply with the contract and records provision. The District should also continue to provide training sessions for the center managers to ensure that they are aware of the federal requirements in relation to eligibility and that the required documentation is being maintained.

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

The District agrees with the audit finding.

The Early Childhood Education Division (ECED) has implemented the following corrective action plan:

- Two additional Senior ECED Fiscal Technicians have been added to the fiscal staff bringing the total number to three. These Senior ECED Fiscal Technicians have met with office managers and principals in small groups to provide training and ongoing support relating to Title 5 Regulations and best practices. Small group training will ensure there is differentiation of training based on need, ability and knowledge. This training will continue throughout the year.
- Three new ECED directors have been added to the administrative staff bringing the total number to six. The directors provide ongoing support to principals of early education programs. By increasing the number of directors, reducing the number of schools each director is responsible for, more oversight and support is provided to principals as it relates to monitoring student files to keep them in compliance with contract provisions.
- A core group of ECED principals has been established that will mentor other/new principals.
- A group of ECED office managers has been established to mentor other/new office managers.

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Program Identification

Finding Reference Number:	**F-2017-003**
Federal Program Title, Awarding Agency, Pass-Through Entity, Catalog of Federal Domestic Assistance (CFDA) Number, and Award Number:	Workforce Innovation and Opportunity Act, Title II: Adult Education and Family Literacy Act, U.S. Department of Education, Passed through the California Department of Education, CFDA No. 84.002, Grant Agreement No. 14508, 13978, and 14109; (Significant Deficiency) Career and Technical Education-Basic Grants to States (Perkins IV), U.S. Department of Education, passed through California of Education (CDE), CFDA No. 84.048, Grant Agreement No. 16-14894-6473-00; (Significant Deficiency)
Compliance Requirement:	Equipment Management
State Audit Guide Finding Code:	20000, 30000 and 50000

Criteria

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

- Management Requirement – Procedures for managing equipment (including replacement equipment), whether acquired in whole or in part with grant funds, until disposition takes place will, as a minimum, meet the following requirements:

  (1) Property records must be maintained that include a description of the property, a serial number or other identification number, the source of property, who holds title, the acquisition date, and cost of the property, percentage of Federal participation in the cost of the property, the location, use and condition of the property, and any ultimate disposition data including the date of disposal and sale price of the property.
  (2) A physical inventory of the property must be taken and the results reconciled with the property records at least once every two years.
  (3) A control system must be developed to ensure adequate safeguards to prevent loss, damage, or theft of the property. Any loss, damage, or theft shall be investigated.
  (4) Adequate maintenance procedures must be developed to keep the property in good condition.
  (5) If the grantee or subgrantee is authorized or required to sell the property, proper sales procedures must be established to ensure the highest possible return.

Non-Federal entities other than States must follow 2 CFR sections 200.313(c) through (e) which require that:

1. Equipment, including replacement equipment, be used in the program or project for which it was acquired as long as needed, whether or not the project or program continues to be supported by the Federal award or, when appropriate, under other Federal awards; however, the non-Federal entity must not encumber the equipment without prior approval of the Federal awarding agency (2 CFR sections 200.313(c) and (e)).

2. Property records must be maintained that include a description of the property, a serial number or other identification number, the source of funding for the property (including the Federal award identification number), who holds title, the acquisition date, cost of the property, percentage of Federal participation in the project costs for the Federal award under which the property was acquired, the location, use and condition of the property, and any ultimate disposition data including the date of disposal and sales price of the property (2 CFR section 200.313(d)(1)).

3. A physical inventory of the property must be taken and the results reconciled with the property records at least once every 2 years (2 CFR section 200.313(d)(2)).

4. A control system must be developed to ensure adequate safeguards to prevent loss, damage, or theft of the property. Any loss, damage, or theft must be investigated (2 CFR section 200.313(d)(3)).

5. Adequate maintenance procedures must be developed to keep the property in good condition (2 CFR section 200.313(d)(4)).

6. If the non-Federal entity is authorized or required to sell the property, proper sales procedures must be established to ensure the highest possible return (2 CFR section 200.313(d)(5)).

7. When original or replacement equipment acquired under a Federal award is no longer needed for a Federal program (whether the original project or program or other activities currently or previously supported by the Federal government), the non-Federal entity must request disposition instructions from the Federal awarding agency if required by the terms and conditions of the award. Items of equipment with a current per-unit fair market value of $5,000 or less may be retained, sold, or otherwise disposed of with no further obligation to the Federal awarding agency. If the Federal awarding agency fails to provide requested disposition instructions within 120 days, items of equipment with a current per-unit fair market value in excess of $5,000 may be retained or sold. The Federal awarding agency is entitled to the Federal interest in the equipment, which is the amount calculated by multiplying the current market value or sale proceeds by the Federal agency's participation in total project costs (2 CFR section 200.313(e) and 200.41).

LAUSD BUL-3508.7 Guideline I

- Each piece of categorically-funded equipment costing $500 (including tax, shipping and other ancillary charges) or more must be correctly labeled and inventoried
- The Categorical Equipment Inventory should be available for examination and will be reviewed annually for compliance. The data on this form should be verified at the beginning and at the end of each school year.

- Schools must maintain a historical inventory record for each piece of categorically-funded equipment costing $500 or more.

Condition

Workforce Innovation and Opportunity Act:

In our procedures to determine the District's compliance with the equipment management requirements, we tested five (5) out of ten (10) schools and reviewed pertinent documents, such as inventory logs, and invoices and noted the following:

1. In our comparison of the equipment listed on the 2016 inventory log to the 2017 inventory log, two (2) schools did not properly reconcile their physical inventory, resulting in not all equipment in use being accounted for. The majority of the equipment unaccounted for was over 5 years old, as Program staff's understanding of the equipment guidelines was that after 5 years, equipment could be removed from the inventory. However, the inventory logs were reconciled and updated subsequent to our procedures.

Our sample was a statistically valid sample.

***Career and Technical Education-Basic Grants to States - Perkins IV**:*

In our procedures performed to determine the District's compliance with the equipment management requirement, we sampled a total of ten (10) out of seventy-two (72) schools and reviewed pertinent documents, such as inventory logs, and noted the following:

1. One (1) school did not properly reconcile the physical inventory, resulting in not all equipment in use being accounted for in the inventory log. In addition, the inventory log did not include all equipment items purchased during the school year. However, the school's inventory log was reconciled and updated subsequent to our procedures.

Our sample was a statistically valid sample.

Cause and Effect

***Workforce Innovation and Opportunity Act*:** Misinterpretation of the equipment management requirements may have contributed to these issues. Inadequate information could result in non-compliance with the grant requirements.

This finding is a repeat finding and has been reported previously for June 30, 2016 (F-2016-004).

***Career and Technical Education-Basic Grants to States - Perkins IV**:* High turnover within the program personnel may have contributed to the issues. Inadequate information could result in non-compliance with the grant requirements.

This finding is a repeat finding and has been reported previously for June 30, 2016 (F-2016-004).

Questioned Cost

Not applicable. This finding is considered a programmatic non-compliance issue as well as a deficiency in the internal control system to properly monitor and supervise the personnel who are assigned to perform the inventory management.

Recommendation

We recommend the District continue to strengthen its controls over property management by providing adequate supervision/training to ensure that inventory management be performed properly.

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

The District agrees with the audit findings.

***Workforce Innovation and Opportunity Act*:**

The following actions have been/will be taken to address this issue:

- Equipment inventory logs cited above have been updated and corrected
- Addressed inventory guidelines at November 16, 2017, Advisor Quarterly Meeting
- Transitioning to a digital inventory system that monitors equipment across all funding areas and keeps a historical inventory of all equipment – tentatively scheduled for December 2017
- Inventory duties reassigned to one advisor group to provide consistency across schools
- Mandatory training on the new digital inventory system for assigned advisor group – tentatively scheduled for December 2017
- Label all equipment so it can be scanned into the new system – tentatively scheduled for December 2017
- Plan for yearly refresher trainings for continuing advisors responsible for the inventory and quarterly for new personnel as needed

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***Career and Technical Education-Basic Grants to States - Perkins IV*:**

Several inventory tracking systems have been reviewed and Career and Technical Education will be purchasing a system called Asset Tiger. For the next several years we will be working with two systems: Asset Tiger for new purchases beginning in 2017-18 and our current system for equipment purchased in prior years. The CTE office will also publish a calendar of inventory log completion dates for schools, advisors and those supervising the advisors.

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Program Identification

Finding Reference Number:	**F-2017-004**
Federal Catalog of Domestic Assistance Number(s):	93.575 and 93.596
Federal Program Titles:	Child Care and Development Fund: Child Care and Development Block Grant, Child Care Mandatory and Matching Funds of the Child Care and Development Fund (Material Weakness)
Awarding Agency / Pass-Through Entity:	U.S. Department of Health And Human Services, California Department of Education
Award Number:	Grant Agreement CSPP-5195 and CCTR-5099
Compliance Requirement:	Reporting
State Audit Guide Finding Code:	30000 and 50000

Criteria

VI Accounting and Reporting Requirements - Section C Enrollment and Attendance Accounting of the District Contract with CDE:

Contractors shall use daily sign-in/sign-out sheets as a primary source document for audit and reimbursement purposes.

One of the following persons shall enter the time of arrival and departure on a sign-in/sign-out sheet and, except as specified below, shall sign the sheet using their full signature for both arrival and departure times:

- The parent or other adult authorized by the parent to drop off/pick up a child; or
- The staff person designated by the contractor as the person responsible for entering the times of arrival and departure if the child is not dropped off/picked up by a parent or other adult authorized by the parent

VI Accounting and Reporting Requirements – Section D Attendance and Absences of the District Contract with CDE:

Attendance, for the purposes of reimbursement, includes excused absences because of illness or quarantine of the child, illness or quarantine of their parent, family emergency, court-ordered visitations or a reason which is clearly in the best interest of the child.

Section 6.3.1 Attendance and Absences of the Early Education Center (EEC) Program Manual:

Unexcused (U), On Leave of Absence (G) and Pattern Day* (P) are not reimbursable.

(Section 6.3.2, Definition of Absence Types, of the EEC Program Manual states that the term "Pattern Day" is used to indicate that the child is not expected to attend because the parent does not have a need on that day.)*

Condition

To verify the accuracy of the attendance records, we obtained and reconciled the attendance records reported in the Early Education Student Information System (EESIS), a database system with features designed to track and report attendance data, to the daily sign-in/sign-out for sixty (60) participants randomly selected from twenty (20) Early Education Centers (EECs) for six (6) randomly selected weeks. As a result of the reconciliation, we noted the following five (5) discrepancies from four (4) EECs:

- One (1) sign-in/sign-out sheet tracked three (3) days of "illness" and two (2) days of "present"; however; EESIS reported five (5) days of "present."
- One (1) sign-in/sign-out sheet tracked one (1) day of "illness" and four (4) days of "present"; however, EESIS reported five (5) days of "present."
- Three (3) sign-in/sign-out sheets each tracked one (1) day of "pattern" and four (4) days of "present"; however, EESIS reported four (4) days of "present" for all three samples.

Our sample was a statistically valid sample.

Cause and Effect

There appears to be incidents where inaccurate attendance was reported by District staff.

This finding is a repeat finding and has been reported previously for June 30, 2016 (F-2016-005).

Questioned Costs

The questioned costs for the above-mentioned discrepancies in the attendance records could not be assessed (i.e., undetermined) because the District's final reimbursement amount will be determined by the California Department of Education (CDE) in accordance with sections 18039, 18054, and 18064 under the Title 5 of the California Code of Regulations (CCR). The CDE's determination is normally performed in January, seven months after the fiscal year end.

According to § 18054 "Determination of Reimbursable Amount":

"….all contractors shall be reimbursed for an audited claim that is the least of the following:

(1) The maximum reimbursable amount as stated in the annual child development contract; or
(2) The actual and allowable net costs; or
(3) Contract service earnings **-** The adjusted child days/hours of enrollment for certified children, times the contract rate per child day/hour of enrollment, times the actual percentage of attendance plus five percent (5%), but in no case to exceed one hundred percent (100%) of enrollment."

Recommendation

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

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

The District agrees with the audit finding.

The Early Childhood Education Division (ECED) has implemented the following corrective action plan:

- Two additional Senior ECED Fiscal Technicians have been added to the fiscal staff bringing the total number to three. These Senior ECED Fiscal Technicians have met with office managers and principals in small groups to provide training and ongoing support relating to Title 5 Regulations and best practices, including attendance reporting. Small group training will ensure there is differentiation of training based on need, ability and knowledge. This training will continue throughout the year.
- Three new ECED directors have been added to the administrative staff bringing the total number to six. The directors provide ongoing support to principals of early education programs, including training and monitoring as it relates to attendance reporting. By increasing the number of directors, which reduces the number of schools each director is responsible for, more oversight and support is provided to principals as it relates to monitoring attendance records to keep them in compliance with contract provisions.
- A core group of ECED principals has been established that will mentor other/new principals.
- A group of ECED office managers has been established to mentor other/new office managers.

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Program Identification

Finding Reference Number:	**F-2017-005**
Federal Catalog of Domestic Assistance Number(s):	84.010
Federal Program Titles:	Title I Grants to Local Education Agencies (LEAs) (Material Weakness)
Awarding Agency / Pass-Through Entity:	U.S. Department of Education, California Department of Education
Award Number:	PCA# 14329
Compliance Requirement:	Special Tests – Annual Report Card, High School Graduation Rate
State Audit Guide Finding Code:	30000 and 50000

Criteria

Annual Report Card, High School Graduation Rate

An SEA and its LEAs must report graduation rate data for all public high schools at the school, LEA, and State levels using the 4-year adjusted cohort rate under 34 CFR section 200.19(b)(1)(i)-(iv)). 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. The term "regular high school diploma" means the standard high school diploma that is awarded to students in the State and that is fully aligned with the State's academic content standards or a higher diploma and does not include a General Educational Development (GED) credential, certificate of attendance, or an alternative award. 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 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.

Condition

We sampled a total of sixty-five (65) out of 170,926 students with leave codes in the school year 2015-2016 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. Four (4) student files from three (3) schools provided documentation that did not support the leave code entered into MiSiS:

Leave Code per MiSiS	Leave Code per Support
L4 (Student transfers to a non-public school including homeschooling)	**L3** (Student transfers to a California public school outside LAUSD)
L8 (Deceased or unknown)	**L5** (Student leaves California)
L8 (Deceased or unknown)	**NA**
L3 (Student transfers to a California public school outside LAUSD)	**L2** (Student transfers to a different LAUSD school)

2. One (1) student file from one (1) school was not able to provide official written documentation to support withdrawals for students who transferred out of the District.

Our sample was a statistically valid sample.

Cause and Effect

There does not appear to be adequate training and monitoring to ensure the accuracy of student records and the collection of the required documentation.

This finding is a repeat finding and has been reported previously for June 30, 2016 (F-2016-006).

Questioned Costs

Not applicable. This finding is considered a programmatic non-compliance issue as well as a deficiency in the internal control system to properly train and monitor the personnel who are assigned to maintain the accuracy of student records.

Recommendation

We recommend the District continue to strengthen its controls over enrollment status by providing adequate supervision/training to ensure that student records are accurate, and the required documentation is retained.

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

The District agrees with the audit finding.

Student Health and Human Services (SHHS), Pupil Services will continue to provide elementary and secondary schools with updated policy and procedures regarding appropriate withdrawal procedures.

The following corrective actions have been implemented since the 2015-16 school year:

- When entering a withdrawal to another LAUSD school (L2) in MiSiS, all LAUSD schools are now available on a drop-down menu. School staff can no longer enter free text in this section, which minimizes data input errors.
- The ability to enter the Parent Assurance Letter (PAL) is in the withdrawal history section in MiSiS.
- Updated policy (REF-6452.5-*Graduates, Completers and Dropout Lists*) now outlines the validation documentation that justifies student withdrawals under each withdrawal type. This documentation also supports the verification of enrollment at the next school.

The following corrective actions will be taken:

- Policy on withdrawal procedures will be reviewed and updated to elaborate on the protocol for documentation and instructions for appropriate data entry in the MiSiS withdrawal screen. Updated policy will be available in preparation for the next school year by June 2018.
- Online training modules on withdrawal procedures are currently being developed and will be available by June 2018.
- A data validation certify rule will be created that will send emails to schools informing them of potential withdrawal type discrepancies for students who have re-enrolled in an LAUSD school. This certify rule will be developed by June 2018.

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Section IV - Findings and Questioned Costs Relating to State Awards

S-2017-001 Regular and Special Day Classes – Elementary Schools – Attendance Computations

State Program: Attendance Accounting: Attendance Reporting

State Audit Guide Finding Codes: 10000 and 40000

Schools Affected

- 3rd Street Elementary School
- Angeles Mesa Elementary School
- Bushnell Way Elementary School

Criteria

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

Condition, Cause and Effect

For our sample of twenty-three (23) elementary schools, we obtained the Student Monthly Attendance Summary Reports (SMASRs) for a sample of teachers for school month six (6). SMASRs are system-generated reports from the District's My Integrated Student Information System (MISIS), a system utilized by the teachers to electronically input, submit and certify student attendance on a daily basis. We verified whether these SMASRs were reported accurately in the *Second Principal Report (P2)* and the *Annual Principal Report (P3).* We obtained the monthly statistical reports where all the SMASRs are summarized, for our sampled schools and we verified whether the SMASRs were completely and accurately summarized. We then traced these monthly statistical reports to the Attendance Ledgers, which in turn were traced to the *Second Principal Report (P2)* and the *Annual Principal Report (P3).*

To test the integrity of the data reported in the sampled SMASRs, we selected a sample of absences from notes, phone logs and other absence records and compared them to the SMASRs, to verify that they were not included in the calculation of Average Daily Attendance reported in the P2. In addition, since the SMASRs are generated through MISIS, we also tested the system's general internal controls which included, but were not limited to appropriate access controls.

We selected a sample of 34,649 days of attendance and 2,193 days of absences for testing and noted the following findings:

- **3rd Street Elementary School -** Out of the 1,731 days of attendance and 87 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.

- **Angeles Mesa Elementary School –** Out of the 1,828 days of attendance and 117 days of absences sampled, we noted the following exceptions:
  - Two (2) students were absent for a total of two (2) days, as evidenced by an absence note, but were marked as present in the school's monthly attendance summary.

- **Bushnell Way Elementary School –** Out of the 1,403 days of attendance and 111 days of absences sampled, we noted the following exception:
  - One (1) student was absent for a total of one (1) day, as evidenced by an absence note but was marked as present in the school's monthly attendance summary.

These findings are repeat findings, having been reported previously at June 30, 2016 (S-2016-001) but for different schools.

Questioned Costs

- Grades K-3 - 4 days / 141 days = 0.03 ADA overstated * $9,899 = $297

- 3rd Street Elementary School
  - 1 Grade K-3 day overstated/141 days in single track school year
- Angeles Mesa Elementary School
  - 2 Grade K-3 day overstated/141 days in single track school year
- Bushnell Way Elementary School
  - 1 Grade K-3 day overstated/141 days in single track school year

Recommendation

We recommend that the District continue to strengthen its controls over implementing District policies over student attendance reporting. Furthermore, we recommend that the District continue to provide adequate attendance reporting training to the schools, so that proper attendance reporting procedures are adhered to.

Views of Responsible Officials and Planned Corrective Actions

District staff will continue to work with school staff throughout the school year to provide assistance, training, information, etc., as necessary, to keep staff informed of District policies and procedures pertaining to proper attendance absence reporting.

S-2017-002 Regular and Special Day Classes – Secondary Schools – Attendance Computations

State Program: Attendance Accounting: Attendance Reporting

State Audit Guide Finding Codes: 10000 and 40000

Schools Affected

- Berendo Middle School
- Belvedere Middle School
- Robert F. Kennedy Community Schools – Los Angeles High School of the Arts
- Felicitas And Gonzalo Mendez Senior High
- West Adams Preparatory Senior High
- Early College Academy – LA Trade Tech College
- Fairfax Senior High

Criteria

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

Condition, Cause and Effect

For our sample of fourteen (14) secondary schools, we obtained the Student Monthly Attendance Summary Reports (SMASRs) for a sample of teachers for school month six (6). SMASRs are system-generated reports from the District's My Integrated Student Information System (MISIS), a system utilized by the teachers to electronically input, submit and certify student attendance on a daily basis. We verified whether these SMASRs were reported accurately in the *Second Principal Report (P2)* and the *Annual Principal Report (P3).* We obtained the monthly statistical reports where all the SMASRs are summarized, for our sampled schools and we verified whether the SMASRs were completely and accurately summarized. We then traced these monthly statistical reports to the Attendance Ledgers, which in turn were traced to the *Second Principal Report (P2)* and the *Annual Principal Report (P3).*

To test the integrity of the data reported in the sampled SMASRs, we selected a sample of absences from notes, phone logs and other absence records and compared them to the SMASRs, to verify that they were not included in the calculation of Average Daily Attendance reported in the P2. In addition, since the SMASRs are generated through MISIS, we also tested the system's general internal controls which included, but were not limited to appropriate access controls.

We selected a sample of 49,533 days of attendance and 2,956 days of absences from the District's secondary schools for testing and noted the following findings:

- **Berendo Middle School -** Out of the 3,658 days of attendance and 215 days of absences sampled, we noted the following exception:
  - One (1) students was absent for a total of one (1) day, as evidenced by absence notes but was marked as present in the school's monthly attendance summary.

- **Belvedere Middle School -** Out of the 4,954 days of attendance and 267 days of absences sampled, we noted the following exceptions:
  - Six (6) students were absent for a total of six (6) days, as evidenced by absence notes but were marked as present in the school's monthly attendance summary.

- **Robert F. Kennedy Community Schools – Los Angeles High School of the Arts -** Out of the 3,124 days of attendance and 170 days of absences sampled, we noted the following exceptions:
  - Four (4) students were absent for a total of eight (8) days, as evidenced by absence notes but were marked as present in the school's monthly attendance summary.

- **Felicitas And Gonzalo Mendez Senior High -** Out of the 5,654 days of attendance and 352 days of absences sampled, we noted the following exception:
  - One (1) student was absent for a total of one (1) days, as evidenced by absence notes, but was recorded as present in the school's monthly attendance summary.

- **West Adams Preparatory Senior High -** Out of the 7,573 days of attendance and 753 days of absences sampled, we noted the following exception:
  - One (1) student was absent for a total of one (1) days, as evidenced by absence notes, but was recorded as present in the school's monthly attendance summary.

- **Early College Academy – LA Trade Tech College -** Out of the 601 days of attendance and 90 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 recorded as present in the school's monthly attendance summary.

- **Fairfax Senior High** – Out of the 8,373 days of attendance and 304 days of absences sampled, we noted the following exception:
  - Five (5) students were absent for a total of five (5) days, as evidenced by absence notes, but were recorded as present in the school's monthly attendance summary.

These findings are repeat findings, having been reported previously at June 30, 2016 (S-2016-002) but for different schools.

Questioned Costs

District's secondary schools:

- Grades 4-6 - 1 day / 141 days = 0.01 ADA overstated * $9,100 = $91
- Grades 7-8 - 6 days / 141 days = 0.04 ADA overstated * $9,371 = $375
- Grades 9-12 - 17 days / 141 days = 0.12 ADA overstated * $11,141 = $1,337

- Berendo Middle School
  - 1 Grade 4-6 day overstated/141 days in single track school year
- Belvedere Middle School
  - 6 Grade 7-8 days overstated/141 days in single track school year

- Robert F. Kennedy Community Schools – Los Angeles High School of the Arts
  - 8 Grade 9-12 days overstated/141 days in single track school year
- Felicitas and Gonzalo Mendez Senior High
  - 1 Grade 9-12 days overstated/141 days in single track school year
- West Adams Preparatory Senior High
  - 1 Grade 9-12 days overstated/141 days in single track school year
- Early College Academy – LA Trade Tech College
  - 2 Grade 9-12 days overstated/141 days in single track school year
- Fairfax Senior High
  - 5 Grade 9-12 days overstated/141 days in single track school year

Recommendation

We recommend that the District continue to strengthen its controls over implementing District policies over student attendance reporting. Furthermore, we recommend that the District continue to provide adequate attendance reporting training to the schools so that proper attendance reporting procedures are adhered to.

Views of Responsible Officials and Planned Corrective Actions

District staff will continue to work with school staff throughout the school year to provide assistance, training, information, etc., as necessary, to keep staff informed of District policies and procedures pertaining to proper attendance absence reporting.

S-2017-003 – Teacher Certification and Misassignments

State Audit Guide Finding Codes: 40000 and 71000

Schools Affected

- Marlton School
- Sal Castro Middle School
- Early College Academy – LA Trade Tech College

Criteria

California Education Code, Section 44203(d) - "Authorization" means the designation that appears on a credential, certificate, or permit that identifies the subjects and circumstances in which the holder of the credential, certificate, or permit may teach, or the services which the holder may render in the public schools of this state.

Section 44256 - Authorization for teaching credentials shall be of four basic kinds, as defined below:

(a) "Single subject instruction" means the practice of assignment of teachers and students to specified subject matter courses, as is commonly practiced in California high schools and most California junior high schools. The holder of a single subject teaching credential or a standard secondary credential or a special secondary teaching credential, as defined in this subdivision, who has completed 20 semester hours of coursework or 10 semester hours of upper division or graduate coursework approved by the commission at an accredited institution in any subject commonly taught in grades 7 to 12, inclusive, other than the subject for which he or she is already certificated to teach, shall be eligible to have this subject appear on the credential as an authorization to teach this subject. The commission, by regulation, may require that evidence of additional competence is a condition for instruction in particular subjects, including, but not limited to, foreign languages. The commission may establish and implement alternative requirements for additional authorizations to the single subject credential on the basis of specialized needs. For purposes of this subdivision, a special secondary teaching credential means a special secondary teaching credential 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.

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.

We tested a total of 183 teachers and noted four (4) exceptions for K-12 teachers who were assigned to teach in a position not consistent with the authorization of his/her certification:

- Early College Academy – LA Trade Tech College – 1 teacher was assigned to teach in a position not consistent with the authorization of his/her certification.

- Sal Castro Middle School – 1 teacher was assigned to teach in a position not consistent with the authorization of his/her certification.
- Marlton School – 2 teachers were assigned to teach in a position not consistent with the authorization of his/her certification.

Questioned Costs

Not Applicable

Recommendation

We recommend that the schools and District strengthen controls to ensure that the teachers are assigned to teach in a position consistent with the authorization of his/her certification.

View of Responsible Officials and Planned Corrective Action

Human Resources (HR) has participated in a variety of Professional Development meetings to support administrators/designees who are responsible for creating master schedules to review credentials, authorizations, and appropriate assignments. HR has implemented a Certify "MiSiS Priority Alert" for the 2017-2018 academic year that notifies school sites of the number of misassignments identified by the assignment monitoring report. HR staff will continue to monitor assignments and work with administrators on rectifying the assignments as soon as possible. This year, HR staff plans to focus more on collaborating with and training District personnel to assist on enhancing their knowledge regarding special education misassignments.

S-2017-004 – Kindergarten Continuance

State Audit Guide Finding Codes: 4000

Schools Affected

- 3rd Street Elementary School
- Angeles Mesa Elementary School
- Castelar Street Elementary School

Criteria

California Education Code, Section 46300 - In computing the average daily attendance of a school district, there shall be included the attendance of pupils in kindergarten after they have completed one school year in kindergarten only if the school district has on file for each of those pupils an agreement made pursuant to Section 48011, approved in form and content by the State Department of Education and signed by the pupil's parent or guardian, that the pupil shall be retained in kindergarten for not more than an additional school year.

Condition, Cause and Effect

Using the same 23 elementary schools sampled for attendance reporting, we selected students enrolled in kindergarten for school year 2016-17 and kindergarten in school year 2015-16 and verified that a signed kindergarten continuance parental agreement (Agreement) was maintained. We noted the following exceptions:

- 3rd Street Elementary School – A signed Agreement, approved in form and content by the CDE, was not on file before the start of the school year for two (2) students.
- Angeles Mesa 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.
- Castelar Street Elementary School – A signed Agreement, approved in form and content by the CDE was not on file before the start of the school year for one (1) student.

Questioned Costs

$37,418 (3.78 total ADA overstated * $9.899)

- 3rd Street Elementary School
  - 338 days overstated / 180 days in single track school year = 1.88 ADA
- Angeles Mesa Elementary School
  - 170 days overstated / 180 days in single track school year = 0.94 ADA
- Castelar Street Elementary School
  - 173 days overstated / 180 days in single track school year = 0.96 ADA

Recommendation

We recommend that the Schools adhere to the District's policy by retaining evidence of the signed and dated parental agreement to continue forms, approved in form and content by the CDE, for all students repeating kindergarten prior to the start of the school year to support the inclusion of such pupils in the average daily attendance computation.

Views of Responsible Officials and Planned Corrective Actions

The Office of Elementary Instruction will continue to provide elementary schools with the necessary instructions and forms for kindergarten continuance parental agreement.

District policy will be reiterated to all elementary school administrators twice a year. The first reminder for the 2017-18 school year was sent in August 2017. This was in addition to the reminder sent at the end of the 2016-17 school year.

The bulletin on Kindergarten Continuance will be reviewed to determine whether additional District approvals for retaining a student will be implemented.

S-2017-005 – Middle or Early College High Schools

State Audit Guide Finding Codes: 10000 and 40000

School Affected

- Middle College High School

Criteria

California Education Code, Section 46146.5 –

a) A day of attendance for a pupil enrolled in grade 11 or 12 at an early college high school or middle college high school is 180 minutes of attendance if the pupil is also enrolled part time in courses of the California State University or the University of California for which academic credit will be provided upon satisfactory completion of enrolled courses.
b) A day of attendance for a pupil enrolled in an early college high school or middle college high school, who is also a special part-time student enrolled in a community college under Article 1 (commencing with Section 48800) of Chapter 5 of Part 27, and who will receive academic credit upon satisfactory completion of enrolled courses, is 180 minutes of attendance.
c) A day of attendance for a pupil enrolled in an early college high school or middle college high school who does not satisfy subdivision (a) or (b) is 240 minutes of attendance.

Condition, Cause and Effect

The District has a total of three (3) schools which meets the criteria set forth per the California Education Code of a middle or early college high school. We selected one school, and tested 40 pupils by obtaining the pupils' class schedules and the school's bell schedule to determine if the pupils met the instructional minute's requirement. We noted the following finding:

- **Middle College High School** – One (1) student, who is also a special part-time student enrolled in a community college, received less than the required 180 minutes of instructional minutes on Mondays and Wednesdays in the spring semester.

Questioned Costs

- Grades 9-12 – 39 days / 180 days = .22 ADA overstated * $11,141 = $2,451

Recommendation

We recommend that the school and District strengthen controls to ensure that students enrolled in an early college high school or middle college high school, who are also a special part-time student enrolled in a community college, obtain the minimum required instructional minutes of 180 minutes.

View of Responsible Officials and Planned Corrective Action

The Local District Counseling Coordinator will work, and communicate directly, with the school site to ensure that controls are strengthened. Academic and Counseling Services will monitor support efforts by reviewing the Student Information System (MiSiS) periodically to be sure that each student meets the California Education Code requirement for the middle college high school.

S-2017-006 – After School Education and Safety Program

State Program: After School Education and Safety Program

State Audit Guide Finding Codes: 40000

Schools Affected

- 32nd Street USC Performing Arts
- 99th Street Elementary
- Andrew Carnegie Middle School
- Breed Street Elementary
- Bryson Avenue Elementary
- Charles Maclay Middle School
- Ellen Ochoa Learning Center
- Florence Nightingale Middle School
- Foshay Learning Center
- Gates Street Elementary
- Graham Elementary
- Hollenbeck Middle School
- Hollywood Primary Center
- John Adams Middle School
- John W. Mack Elementary
- Johnnie Cochran Jr. Middle School
- Liberty Boulevard Elementary
- Melvin Avenue Elementary
- Middleton Street Elementary
- Miles Avenue Elementary
- Northridge Middle School
- Olive Vista Middle School
- Pacific Boulevard Elementary
- Pacoima Middle School
- Playa del Rey Elementary
- President Avenue Elementary
- Robert E. Peary Middle School
- Robert Fulton College Preparatory
- San Miguel Elementary
- School of Global Leadership
- State Street Elementary
- Vanalden Avenue Elementary
- Vista Middle School
- Wadsworth Avenue Elementary
- Weigand Avenue Elementary

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 requirements of that community or school, or both, documented evidence may be submitted to the department for an exception and a request for approval of an alternative plan.

(2) It is the intent of the Legislature that elementary school pupils participate in the full day of the program every day during which pupils participate and that pupils in middle school or junior high school attend a minimum of nine hours a week and three days a week to accomplish program goals.

California Education Code 8483.1 (a) – (1) Every before school program component established pursuant to this article shall in no instance operate for less than one and one-half hours per regular school day. Every program shall establish a policy regarding reasonable late daily arrival of pupils to the program.

(2) (A) It is the intent of the Legislature that elementary school pupils participate in the full day of the program every day during which pupils participate and that pupils in the middle or junior high school attend a minimum of six hours a week or three days a week to accomplish program goals, except when arriving late in accordance with the late arrival policy or as reasonably necessary.

(2) (B) A pupil who attends less than one-half of the daily program hours shall not be accounted for the purposes of the attendance.

California Education Code 8482 – The purpose of this program is to create incentives for establishing locally driven before and after school enrichment programs both during schooldays and summer, intersession, or vacation days that partner public schools and communities to provide academic and literacy support and safe, constructive alternatives for youth. The term public school includes charter schools.

Condition, Cause and Effect

On a sample basis, we tested attendance documentation of 56 schools and 5,395 days of attendance for students who participated in the After School Education and Safety Program. We examined the attendance records for the selected students and verified whether the attendance reporting was complete and accurate. We also verified whether the selected students complied with the attendance requirements established by the District, as required by the California Education Code. We noted the following exceptions:

<u>After School Component of the Program</u>

On a sample basis, we tested the attendance documentation of 48 schools and 4,634 days of attendance in the after school component of the After School Education and Safety Program.

There were 179 students in 29 schools that did not comply with the established early release policy. As a result, the following elementary schools had students that did not participate in the full day of the after school program on every day during which pupils participated, and the following middle schools had students that participated less than nine hours a week and three days a week:

- **32nd Street USC Performing Arts** – Six (6) students did not participate in the full period of the after school program for a total of twenty-three (23) days that they participated and there were no properly filled out early release forms to explain why such requirement was not complied with.
- **Andrew Carnegie Middle School –** Four (4) students did not participate in the full period of the after school program for a total of eighteen (18) days that they participated and there were no properly filled out early release form to explain why such requirement was not complied with.

- **Breed Street Elementary –** One (1) student did not participate in the full period of the after school program for a total of one (1) day that they participated and there was no properly filled out early release form to explain why such requirement was not complied with.
- **Bryson Avenue Elementary –** Five (5) students did not participate in the full period of the after school program for a total of ten (10) days that they participated and there were no properly filled out early release forms to explain why such requirement was not complied with.
- **Charles Maclay Middle School** – Four (4) students did not participate in the full period of the after school program for a total of nine (9) days that they participated and there were no properly filled out early release forms to explain why such requirement was not complied with.
- **Ellen Ochoa Learning Center –** Twenty (20) students did not participate in the full period of the after school program for a total of ninety-eight (98) days that they participated and there were no properly filled out early release forms to explain why such requirement was not complied with.
- **Florence Nightingale Middle School** – Eleven (11) students did not participate in the full period of the after school program for a total of forty-seven (47) days that they participated and there were no properly filled out early release forms to explain why such requirement was not complied with.
- **Graham Elementary** – Seventeen (17) students did not participate in the full period of the after school program for a total of fifty-seven (57) days that the students participated and there were no properly filled out early release forms to explain why such requirement was not complied with.
- **Hollenbeck Middle School –** Eight (8) students did not participate in the full period of the after school program for a total of thirty-six (36) days that the students participated and there were no properly filled out early release forms to explain why such requirement was not complied with.
- **Hollywood Primary Center –** One (1) student did not participate in the full period of the after school program for a total of two (2) days that the student participated and there were no properly filled out early release forms to explain why such requirement was not complied with.
- **John W. Mack Elementary –** One (1) student did not participate in the full period of the after school program for a total of one (1) day that they participated and there was no properly filled out early release form to explain why such requirement was not complied with.
- **John Adams Middle School –** Three (3) students did not participate in the full period of the after school program for a total of thirteen (13) days that the students participated and there were no properly filled out early release forms to explain why such requirement was not complied with.
- **Johnnie Cochran Jr. Middle School –** Nine (9) students did not participate in the full period of the after school program for a total of forty-three (43) days that the students participated and there was no properly filled out early release forms to explain why such requirement was not complied with.
- **Melvin Avenue Elementary –** One (1) student did not participate in the full period of the after school program for a total of one (1) day that the student participated and there was no properly filled out early release form to explain why such requirement was not complied with.
- **Middleton Street Elementary –** One (1) student did not participate in the full period of the after school program for a total of two (2) days that the student participated and there were no properly filled out early release forms to explain why such requirement was not complied with.

- **Northridge Middle School –** One (1) student did not participate in the full period of the after school program for a total of three (3) days that the student participated and there was no properly filled out early release forms to explain why such requirement was not complied with.
- **Olive Vista Middle School** – Seven (7) students did not participate in the full period of the after school program for a total of thirty-three (33) days that they participated and there were no properly filled out early release forms to explain why such requirement was not complied with.
- **Pacoima Middle School** – Seven (7) students did not participate in the full period of the after school program for a total of twenty-seven (27) days that they participated and there were no properly filled out early release forms to explain why such requirement was not complied with.
- **Pacific Boulevard Elementary –** Six (6) students did not participate in the full period of the after school program for a total of twelve (12) days that they participated and there were no properly filled out early release form to explain why such requirement was not complied with.
- **Playa del Rey Elementary** – Eleven (11) students did not participate in the full period of the after school program for a total of thirty-six (36) days that the students participated and there was no properly filled out early release forms to explain why such requirement was not complied with.
- **President Avenue Elementary –** Eight (8) students did not participate in the full period of the after school program for a total of twenty (20) days that they participated and there were no properly filled out early release forms to explain why such requirement was not complied with.
- **Robert E. Peary Middle School** – Fifteen (15) students did not participate in the full period of the after school program for a total of sixty (60) days that they participated and there were no properly filled out early release forms to explain why such requirement was not complied with.
- **Robert Fulton College Preparatory** – Six (6) students did not participate in the full period of the after school program for a total of twenty-eight (28) days that they participated and there were no properly filled out early release forms to explain why such requirement was not complied with.
- **San Miguel Elementary –** Six (6) students did not participate in the full period of the after school program for a total of fifteen (15) days that the students participated and there were no properly filled out early release forms to explain why such requirement was not complied with.
- **State Street Elementary –** Eight (8) students did not participate in the full period of the after school program for a total of eleven (17) days that the students participated and there was no properly filled out early release forms to explain why such requirement was not complied with.
- **Vanalden Avenue Elementary –** One (1) student did not participate in the full period of the after school program for a total of one (1) day that they participated and there was no properly filled out early release form to explain why such requirement was not complied with.
- **Vista Middle School** – Three (3) students did not participate in the full period of the after school program for a total of ten (10) days that they participated and there were no properly filled out early release forms to explain why such requirement was not complied with.
- **Wadsworth Avenue Elementary –** Four (4) students did not participate in the full period of the after school program for a total of four (4) days that they participated and there were no properly filled out early release forms to explain why such requirement was not complied with.

- **Weigand Avenue Elementary –** Four (4) students did not participate in the full period of the after school program for a total of four (4) days that they participated and there were no properly filled out early release forms to explain why such requirement was not complied with.

We obtained the ASES Attendance Reports, which the District uses to report attendance, and compared the total attendance reported to the Monthly Attendance Report (MAR) for the schools for a sampled week during the school year 2016-2017. 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:

- **99th Street Elementary**– Lack of supporting information (i.e., sign-in time, sign-out time) of one (1) student to produce the attendance record for total of one (1) day but marked present on the MAR.
- **Foshay Learning Center –** Lack of supporting documentation (i.e., sign-in sheet) of five (5) students to produce the attendance record for total of twenty-five (25) days but marked present on the MAR.
- **Graham Elementary** – One (1) student was marked absent for a total of one (1) day on the sign-in sheet but marked present on the MAR.
- **Hollywood Primary Center –** Two (2) students were marked absent for a total of two (2) days on sign-in sheet but marked present on the MAR.
- **John Adams Middle School –** Lack of supporting information (i.e., sign-in time, sign-out time) of three (3) students to produce the attendance record for total of ten (10) days but marked present on the MAR.
- **Melvin Avenue Elementary –** Nine (9) students arrived late to the after-school program, and therefore did not participate in the full period of the after-school program for a total of thirty-six (36) days that the students participated and there was no properly supportive documentation (i.e., notes from Regular School teacher) to explain why such requirement was not complied with.
- **Middleton Street Elementary**

  – Lack of supporting information (i.e., sign-in time, sign-out time) of two (2) students to produce the attendance record for total of two (2) days but marked present on the MAR.

  – Two (2) students arrived late to the after-school program, and therefore did not participate in the full period of the after-school program for a total of four (4) days that the student participated and there were no properly supportive documentation (i.e., notes from Regular School teacher) to explain why such requirement was not complied with.
- **Playa del Rey Elementary** - One (1) student was marked absent for a total of one (1) day on the sign-in sheet but marked present on the MAR.
- **President Avenue Elementary –** Lack of supporting information (i.e., sign-in time, sign-out time) of one (1) student to produce proper attendance record for total of four (4) days but marked present on the MAR.
- **Pacific Boulevard Elementary –** Lack of supporting information (i.e., sign-in time, sign-out time) of one (1) student to produce the attendance record for total of one (1) day but marked present on the MAR.

- **San Miguel Elementary –** One (1) student arrived late to the after-school program, and therefore did not participate in the full period of the after-school program for a total of one (1) day that the student participated and there was no properly supportive documentation (i.e., notes from Regular School teacher) to explain why such requirement was not complied with.
- **School of Global Leadership –** Ten (10) students were marked absent for a total of forty-five (45) days on the sign-in sheet but marked present on the MAR.

  Vista Middle School – Lack of supporting information (i.e., sign-in time, sign-out time) of one (1) student to produce the attendance record for total of two (2) days but marked present on the MAR.

<u>Before School Component of the Program</u>

On a sample basis, we tested the attendance documentation of 8 schools and 761 days of attendance in the before school component of the Before School Education and Safety Program.

- **Gates Street Elementary** – One (1) student was marked absent for a total of one (1) day on the sign-in sheet but marked present on the MAR.
- **Liberty Boulevard Elementary** – One (1) student was marked absent for a total of one (1) day on the sign-in sheet but marked present on the MAR.
- **Miles Avenue Elementary** – One (1) student was marked absent for a total of one (1) day on the sign-in sheet but marked present on the MAR.

Questioned Costs

As a result of our testing, the over reporting of attendance was summarized in the Condition, Cause and Effect section above. The California Department of Education will determine the impact of the above exceptions on the After School Education and Safety Program funding if there is any.

Recommendation

We recommend that the District strengthen its procedures on attendance documentation for the After School Education and Safety program. The District should ensure that the agencies performing the services for these programs are aware of the District's policies, specifically on maintaining accurate attendance records. We also recommend for the District to continue performing agency visits to ensure compliance with the established policies, and develop and maintain auditable supporting documentations that leave an audit trail for students who cannot have a timely participation in the program.

Views of Responsible Officials and Planned Corrective Actions

Beyond The Bell Branch will continue to provide training and monitoring on attendance reporting at sites to ensure documentation of reported attendance figures is readily available and accurate for auditing purposes.

Agency contractors and program personnel are required to attend a "Start- up Meeting" scheduled prior to the beginning of the school year which includes training on attendance and the importance of proper documentation.

Contractors and agency program personnel are invited to attend a Federal Program Monitoring (FPM) training. Training on attendance documentation is provided during this meeting.

Beyond The Bell Branch will conduct site visits to monitor program quality and student attendance/early release of pupils through its Field Office Administrators, Field Office Traveling Playground Supervisors, and Central Office Administrators.

S-2017-007 Immunizations

State Audit Guide Finding Codes: 40000

Schools Affected

- Calvert Charter for Enriched Studies
- Hillcrest Drive Elementary School
- Los Feliz Science/Tech/Engineer/Math/Medicine Magnet
- MacArthur Park Elementary Visual and Performing Arts
- MacArthur Park Elementary Visual and Performing Arts DL Spa
- Manhattan Place Elementary School
- Vine Street Elementary School
- Westside Global Awareness Magnet
- Windsor Hills Elementary Math/Science Aerospace Magnet

Criteria

California Code of Regulations, Title 17, Section 6020: Pupils entering a kindergarten (or 1st grade kindergarten skipped) are required to have 2 doses of measles-containing vaccine, both given on or after the first birthday. The 1st dose is required before admission, and the 2nd dose is required as early as 1 month but no later than 3 months after the first dose.

Pupils entering or advancing to the 7th grade are required to have 1 dose of the tetanus toxoid, reduced diphtheria toxoid, and acellular pertussis vaccine (Tdap) on or after the 7th birthday. The 1st dose is required before admission.

California Code of Regulations, Title 17, Section 6040 - An already admitted pupil who is subsequently discovered not to have received all the immunizations which were required before admission or who is subsequently discovered not to have complied with the requirements for conditional admission specified in Section 6035 shall continue in attendance only if he or she receives all vaccine doses for which he or she is currently due and provides documentation of having received such doses no later than 10 school days after he or she or the parent or guardian is notified. The school, child care center, day nursery, nursery school, family day care home, or development center shall notify the pupil or the parent or guardian of the time period (no longer than 10 school days) within which the doses must be received.

California Code of Regulations, Title 17, Section 6051(b) - A personal beliefs exemption shall be granted upon the filing with the governing authority documentation in accordance with the requirements of Health and Safety Code Section 120365 on form CDPH 8262. The fact of the personal beliefs exemption shall be recorded in accordance with Section 6070. The fact of a personal beliefs exemption for the pertussis booster immunization requirement in Section 120335(d), Health and Safety Code, shall be recorded on the Tdap (Pertussis Booster) Requirement sticker, PM 286 S (01/11).

California Code of Regulations, Title 17, Section 6055 - The governing authority of the school, child care center, day nursery, nursery school, family day care home, or development center shall exclude from further attendance any pupil who fails to obtain the required immunizations within no more than 10 school days following receipt of the notice provided pursuant to Section 6040, unless the pupil is exempt for medical reasons or personal beliefs, until the pupil provides written evidence that he or she has received another dose of each required vaccine due at that time. Any pupil so excluded shall be reported to the attendance supervisor or to the building administrator.

California Code of Regulations, Title 17, Section 6070

a. The governing authority of each school, child care center, day nursery, nursery school, family day care home, or development center shall record each pupil's immunizations on the California School Immunization Record, CDPH 286 (01/14), hereby incorporated by reference which, at kindergarten level and above, shall be part of the mandatory permanent pupil record as defined in Section 430 of Title 5, California Code of Regulations.
b. The governing authority may continue recording immunizations on the California School Immunization Record, PM 286 (1/02), hereby incorporated by reference, for students admitted prior to May 5, 2014.
c. Each pupil's immunization record shall contain:
    1) Name of pupil.
    2) Birthdate (month, day and year).
    3) Date of unconditional or conditional admission (month, day, and year).
    4) Type of vaccine and date (month, day, and year) each dose was administered. Although month, day and year of vaccine administration should be recorded, showing only month and year of vaccine dose(s) shall be allowed, except for records showing measles, rubella, and/or mumps vaccine doses given during the month of the first birthday or Tdap dose given during the month of the 7th birthday, the date of immunization shall also be recorded.
    5) Date and type of exemption for each exempted immunization, if any.
d. The immunization record shall be transferred with the mandatory permanent pupil record.
e. For pupils at kindergarten level and above transferring between school campuses within California or from a school in another state to a school in California, if the mandatory permanent pupil record or other immunization record has not been received at the time of entry to the new school, the governing authority of the school may admit the pupil for a period of up to 30 school days. If the mandatory permanent record or other immunization record has not arrived by the end of this period, the governing authority shall require the parent or guardian to present a written immunization record, as described in Section 6065, documenting that all currently due required immunizations have been received. If such a record is not presented, the pupil shall be excluded from further attendance until he or she comes into compliance with the immunization requirements, as outlined in Sections 6020, 6035, and 6065.
f. The governing authority shall see that the immunization record of each pupil admitted conditionally is reviewed every 30 days until that pupil has received all the required immunizations. Any immunizations received subsequent to conditional admission shall be entered in the pupil's immunization record.

g. For pupils who are being admitted or are advancing into the 7th through 12th grades beginning July 1, 2011, the governing authority shall record each pupil's Tdap dose, given on or after the 7th birthday, on the supplemental sticker form Tdap (Pertussis Booster) Requirement [PM 286 S (01/11)]. This form is hereby incorporated by reference. The governing authority shall affix the PM 286 S (01/11) to the front of the pupil's California School Immunization Record, PM 286 (1/02) or CDPH 286 (01/14).

Condition, Cause and Effect

For the 9 schools identified as having not submitted immunization assessment reports for Kindergarten pupils to the California Department of Public Health (CDPH), we selected a sample of 124 Kindergarten pupils, excluding students in independent study and students with an individualized education program that includes special education and related services, and verified that each pupil has a California School Immunization Record, CDPH 286 (01/14) on file (or note if prior version, PM 286(1/02) was used), and verified that the pupils had 2 doses of a measles vaccine prior to admission, or had a current medical or personal beliefs exemption on file. For pupils who only had 1 dose prior to admission, we verified that the 2nd dose was received within 3 calendar months after the 1st dose.

We noted the following findings:

- **Calvert Charter for Enriched Studies -** Out of the 15 pupils sampled, we noted the following exceptions:
    - Two (2) pupils did not receive the required 2nd dose within three calendar months and ten school days after receiving the 1st dose. The pupils received the 1st dose before the first day of school, and was marked present in the school’s monthly attendance summary for a total of 82 days before receiving the 2nd dose.

- **Windsor Hills Elementary Math/Science Aerospace Magnet -** Out of the 17 pupils sampled, we noted the following exceptions:
    - Two (2) pupils did not receive the required 2nd dose within three calendar months and ten school days after receiving the 1st dose. The pupils received the 1st dose before the first day of school, and was marked present in the school’s monthly attendance summary for a total of 57 days before receiving the 2nd dose.

For the 11 schools identified as reporting a conditional admission rate greater than 25 percent in Kindergarten to the CDPH, we selected a sample of 102 Kindergarten pupils, and verified that the pupils had 2 doses of a measles vaccine prior to admission, or had a current medical or personal beliefs exemption on file. For pupils who only had 1 dose prior to admission, we verified that the 2nd dose was received within 3 calendar months after the 1st dose.

We noted the following findings:

- **Hillcrest Drive Elementary School -** Out of the 15 pupils sampled, we noted the following exceptions:
    - One (1) pupil did not receive the required 2nd dose within three calendar months and ten school days after receiving the 1st dose. The pupil received the 1st dose before the first day of school, and was marked present in the school’s monthly attendance summary for a total of 60 days before receiving the 2nd dose.

- **Los Feliz Science/Tech/Engineer/Math/Medicine Magnet -** Out of the 10 pupils sampled, we noted the following exceptions:
    - One (1) pupil received the 1st dose but never received the required 2nd dose during the school year. The pupil received the temporary medical exemption after the first day of school, and was marked present in the school's monthly attendance summary for a total of 94 days before receiving the temporary medical exemption.

- **MacArthur Park Elementary Visual and Performing Arts -** Out of the 12 pupils sampled, we noted the following exceptions:
    - One (1) pupil did not receive the required 2nd dose within three calendar months and ten school days after receiving the 1st dose. The pupil received the 1st dose before the first day of school, and was marked present in the school's monthly attendance summary for a total of 58 days before receiving the 2nd dose.

- **MacArthur Park Elementary Visual and Performing Arts DL SP -** Out of the 10 pupils sampled, we noted the following exceptions:
    - One (1) pupil did not receive the required 2nd dose within three calendar months and ten school days after receiving the 1st dose. The pupil received the 1st dose before the first day of school, and was marked present in the school's monthly attendance summary for a total of 8 days before receiving the 2nd dose.

- **Manhattan Place Elementary School -** Out of the 13 pupils sampled, we noted the following exception:
    - One (1) pupil did not receive the required 2nd dose within three calendar months and ten school days after receiving the 1st dose. The pupil received the 1st dose before the first day of school, and was marked present in the school's monthly attendance summary for a total of 60 days before receiving the 2nd dose.

- **Vine Street Elementary School -** Out of the 13 pupils sampled, we noted the following exceptions:
    - Two (2) pupils did not receive the required 2nd dose within three calendar months and ten school days after receiving the 1st dose. The pupils received the 1st dose before the first day of school, and was marked present in the school's monthly attendance summary for a total of 116 days before receiving the 2nd dose.

For the 3 schools identified as having not submitted immunization assessment reports for 7th Grade pupils to the CDPH, we selected a sample of 76 7th Grade pupils, excluding students in independent study and students with an individualized education program that includes special education and related services, and verified each pupil has a California School Immunization Record, PM 286 (1/02) or CDPH 286 (1/14) on file, and verified that each pupil obtained the Tdap dose prior to admission into 7th Grade.

We noted the following findings:

- **Westside Global Awareness Magnet -** Out of the 16 pupils sampled, we noted the following exception:
    - One (1) pupil did not receive the required Tdap dose before admission into 7th Grade, and were marked present in the school's monthly attendance summary for a total of 3 days.

Questioned Costs

- Grades K-3 – 535 days / 180 days = 2.97 ADA overstated * $9,899 = $29,400

Kindergartens:

- Calvert Charter for Enriched Studies– 82 days overstated/180 days in single track school year
- Hillcrest Drive Elementary School - 60 days overstated/180 days in single track school year
- Los Feliz Science/Tech/Engineer/Math/Medicine Magnet - 94 days overstated/180 days in single track school year
- MacArthur Park Elementary Visual and Performing Arts - 58 days overstated/180 days in single track school year
- MacArthur Park Elementary Visual and Performing Arts DL SP - 8 days overstated/180 days in single track school year
- Manhattan Place Elementary School - 60 days overstated/180 days in single track school year
- Windsor Hills Elementary Math/Science Aerospace Magnet - 57 days overstated/180 days in single track school year
- Vine Street Elementary School - 116 days overstated/180 days in single track school year

- Grades 7-8 – 3 days / 180 days = 0.02 ADA overstated * $9,9.371 = $187

7th Graders:

- Westside Global Awareness Magnet - 3 days overstated/180 days in single track school year

Recommendation

We recommend that the District strengthen its controls over implementing District policies over pupil immunization record tracking. Furthermore, we recommend that the District continue to provide adequate training to the schools, so that proper monitoring of pupil's immunization are adhered to.

Views of Responsible Officials and Planned Corrective Actions

The following corrective action steps will be taken:

a) On an ongoing basis, train/retrain schools' nurses to track and follow up conditional admissions. The power point: Immunization 101 is posted in the District Nursing Services (DNS) as a resource.
b) On an ongoing basis, Student Health and Human Services (SHHS) requires direct follow up and tracking of immunization by LD nursing office; weekly immunization compliance reports; LD Nursing Administrators to have check off list to monitor state reporting. District Nursing office (administrative) oversees the compliance monitoring using bi-weekly compliance reports.
c) On an ongoing basis, reissue job aids annually and as needed.

d) On an ongoing basis, LD Nursing administrators attend School Admin Assistants (SAA) staff meetings to discuss/train staff on immunization requirements and MiSiS documentation annually; refresher if needed during second semester. One of the Professional Development goals is for school staff training.
e) On an ongoing basis, Immunization requirements announcements issued to Principals – memo issued by SHHS
f) Nursing director to attend Operations Coordinators and Operations Administrators meeting, which occurred in September 2017, and will occur in January 2018 and March 2018.
g) EESiS- Welligent Interface to migrate pre-school students' immunization data in EECs to Welligent (data testing is done, close to completion, waiting for EESiS vendor to respond).
h) School Nurses have read-only access to California Immunization Registry (CAIR) to identify missing immunizations for documentation in Welligent-access and use began in March 2017. School Nurses are accessing CAIR.
i) Planned project to establish CAIR-Welligent interface for the purpose of immunization tracking/documentation. Data testing results: 40% data match (CAIR does not use student ID); will revisit when CAIR updates to HL7.
j) Implemented the MiSiS certify module/process in November 2017, which provides immunization reports with a roster of students with invalid immunization dates (i.e. less than date of birth) will be automatically sent to the school administrators for corrections.

S-2017-008 – Unduplicated Local Control Funding Formula Pupil Counts

State Program: Unduplicated Local Control Funding Formula Pupil Counts

State Audit Guide Finding Code: 40000

Schools Affected

- Charles H Kim Elementary School
- Overland Avenue Elementary School
- Belvedere Middle School
- Felicitas and Gonzalo Mendez Senior High
- City of Angeles Independent Studies
- Chandler Learning Academy (Dependent Charter School)

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 1,297 students from 44 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 1,297 students tested, 656 students were selected for verification of their Free and Reduced Price Meal (FRPM) eligibility as "181 - Free" or "182 - Reduced" in accordance with procedure *19849(1)(a)* of the audit guide.

Based on our testing, we noted that eight (8) students from the District's schools, and three (3) students from the District's Dependent Charter School who were reported as Free or Reduced, but was unsupported as Free or Reduced 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, but their records were not updated to reflect they were ineligible to continue being designated as such.

The exceptions noted were extrapolated to the FRPM 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	* Total Enrollment Applied	* UPC Applied	UPP	UPC adjusted based on eligibility of FRPM	UPC adjusted based on eligibility for EL funding	UPC adjusted based on eligibility for both FRPM and EL		Adjusted total UPC	Adjusted UPP
Los Angeles Unified School District	1,466,738	1,232,931	84.06%	(128)	-	-	**	1,232,803	84.05%
Charles H Kim Elementary School	2,159	1,902	88.10%	(1)	-	-		1,901	88.05%
Overland Avenue Elementary School	1,510	129	8.54%	(2)	-	-		127	8.41%
Belvedere Middle School	3,620	3,423	94.56%	(1)	-	-		3,422	94.53%
Felicitas and Gonzalo Mendez Senior High	2,701	2,529	93.63%	(2)	-	-		2,527	93.56%
City of Angeles Independent Studies	5,242	3,349	63.89%	(2)	-	-		3,347	63.85%
Chandler Learning Academy (Dependent Charter)	1,471	852	57.92%	(29)	-	-		823	55.92%

* 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.

Questioned Costs

We determined the total impact of the eight (8) findings on the District, and three (3) findings 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 128, and for the Dependent Charter School is 29.

We decreased the District's UPC by the extrapolated impact of 128 students, and calculated an Adjusted UPC of 84.05%.

We applied the Adjusted UPC to the District's LCFF State Aid, Adjusted for Minimum State Aid Guarantee for fiscal year 2016-17, and we computed total questioned costs to be $142,144.

We also decreased the Dependent Charter School's UPC by the extrapolated impact of 29 students, and calculated an Adjusted UPC of 55.92%.

We applied the Adjusted UPC to the Dependent Charter School LCFF State Aid, Adjusted for Minimum State Aid Guarantee for fiscal year 2016-17, and we computed total questioned costs to be $29,138.

Recommendation

We recommend the District implement a more effective system of collecting meal eligibility data/records, and perform an adequate review before uploading into CALPADS to ensure all records have been properly updated to reflect the students' most recent designation.

Views of Responsible Officials and Planned Corrective Actions

The State Reporting Services Branch has had a process in place for several years to determine the meal code eligibility for every student in the district with a current-year meal application on file for students enrolled at pricing schools; and for students enrolled at Provision 2 (P2) or Community Eligibility Provision (CEP) schools, base-year eligibility or current-year Household Income Form (HIF) eligibility for new students to the district. Because this process relies on a single point of verification, and the criteria to sort, rank, and determine Local Funding Control Funding formula (LCFF) eligibility based on meal code or income level eligibility based on three distinct eligibility files, with the requirement to track previous and current year enrollment records and eligibility data for several years for students enrolled at P2/CEP schools, the validation of these data is quite complex. Since LCFF replaced a myriad of previously existing K–12 funding streams, including revenue limits, general purpose block grants, and most of the 50-plus state categorical programs, the need to reinforce the process to determine and validate meal code eligibility has become a priority.

The State Reporting Services Branch is implementing a two-tier, iterative approach to ensure the verification of meal-eligibility records reported to the California Longitudinal Pupil Achievement Data System (CALPADS) are accurate.

<u>Timeline</u>

Tier I and Tier II of the corrective plan will be completed by January 26, 2018.

<u>Tier I</u>

This verification level is designed to review previous year's enrollments from the Early Education Student System (EESIS) and MISIS, data from the HIF and meal application data files in the Franklin System, as well as the implementation of any state or district policy changes.

The files are loaded into an access database and a round of manual checking is executed to a minimum of 25 records for inclusion eligibility in each of the categories outlined below for records from Pricing and P2/CEP schools. If any issues are identified through the verification process, the programming query rules are updated or corrected, and subsequent round of checking implemented.

<u>Tier II</u>

This verification level is an automated review of previous year's enrollments from the Early Education Student System (EESIS) and MISIS, data from the HIF and meal application data files in the Franklin System, as well as the implementation of any state or district policy changes.

The eligibility data files are loaded into an Oracle database and a round of automated verification is executed to all the records for inclusion eligibility in the categories highlighted above for students in Pricing and P2/CEP schools. If any issues are identified through the Tier II verification process, the programming query rules are updated or corrected, and another round of data verification is implemented.

<u>Moving Forward</u>

State Reporting Services Branch staff will continue to closely monitor the meal code eligibility process to ensure and improve the process as necessary.

S-2017-009 – Ratio of Administrative Employees to Teachers

State Audit Guide Finding Codes: 4000

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 administrator employee-to-teacher ratio analysis that the number of administrative employees per hundred teachers is 8.52, which exceeds the allowable ratio set forth in Education Code section 41402, which for the District is 8.

Questioned Costs

Per AB-99 School Finance: Education Omnibus Trailer Bill, a school district with average daily attendance of more than 400,000 as of the 2016-17 second principal apportionment, shall be exempt from any penalties calculated pursuant to Section 41404 of the Education Code for the 2016-17 and 2017-18 fiscal years.

The District is granted this exception as their second principal apportionment average daily attendance is 448,888.25.

As such, the calculation of questioned costs is not applicable.

Recommendation

We recommend that the District strengthen controls over the adherence of the administrative employees to teacher's ratio requirement.

Views of Responsible Officials and Planned Corrective Actions

Management is currently reviewing the administrator and teachers staffing levels to address the current ratio. Issues being reviewed include funding for administrative positions subject to the current ratio, monitoring and approval of all Central office positions created, and evaluation of the positions in regard to treatment under the ratio calculation. The District will also explore pursuing the exemption of certain positions and programs from the calculation.

Findings Relating to the Basic Financial Statements which are Required to be Reported in Accordance with Government Auditing Standards

FS-16-001 ITD Access to SAP Production Transactions – Significant Deficiency

Recommendation

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

Current Status

Corrective action(s) implemented.

FS-16-002 MISIS User Access– Significant Deficiency

Recommendation

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

Current Status

Corrective action(s) partially Implemented. Corrective actions are not fully implemented as during the course of our review of MISIS access for sampled schools, we noted one (1) withdrawn user and one (1) retired user with MISIS Office Manager Role access (See FS-2017-01)

Findings and Questioned Costs Related to Federal Awards

Finding F-2016-001 – Cost Principles – Payroll Certifications and Documentation for Specially Funded Employee Positions

Program Identification

Magnet School Assistance, U.S. Department of Education, CFDA No. 84.165A, Grant Agreement No. U165A130049.

Recommendation

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

Current Status

Implemented

Finding F-2016-002 – Activities Allowed or Unallowed – Approved Budget Justifications

Program Identification

Title I Grants to Local Educational Agencies, U.S. Department of Education, passed through California Department of Education, CFDA No. 84.010, Grant Agreement No. 14329-6473.

Recommendation

The District should strengthen its budgetary controls over the individual school site's charges to the Title I funded programs to ensure that the activities are funded in accordance with the SPSA and approved annual budget.

Current Status

Implemented

Finding F-2016-003 – 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, Department of Health and Human Services, passed through California Department of Education, CFDA Nos. 93.575 and 93.596, Grant Agreement Nos. CSPP-5195 and CCTR-5099.

Recommendation

We recommend that the District strengthen its monitoring process to ensure that student files are reviewed on a regular basis in order to comply with the contract and records provision. The District should also continue to provide training sessions for the center managers to ensure that they are aware of the federal requirements in relation to eligibility and that the required documentation is being maintained.

Current Status

Implemented

Finding F-2016-004 – Equipment - Equipment Management Policies

Program Identification

Magnet School Assistance, U.S. Department of Education, CFDA No. 84.165A, Grant Agreement Nos. U165A130049;

Career and Technical Education, Basic Grants and States (Perkins IV), U.S. Department of Education, passed through California Department of Education, CFDA No. 84.048, Grant Agreement No. 15-14894-6473-00;

Workforce Innovation and Opportunity Act, Title II: Adult Education and Family Literacy Act, U.S. Department of Education, passed through California Department of Education, CFDA No. 84.002, Grant Agreement No. 15-Multiple-6473-00.

Recommendation

We recommend the District continue to strengthen its controls over property management by providing adequate supervision/training to ensure that inventory management be performed properly.

Current Status

Implemented

Finding F-2016-005 – 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, Department of Health and Human Services, California Department of Education, CFDA Nos. 93.575 and 93.596, Grant Agreement CSPP-5195 and CCTR-5099;

Gaining Early Awareness and Readiness for Undergraduate Programs (GEAR-UP), U.S. Department of Education, CFDA No. 84.334, Grant Agreement P334A110166–15 and P334A140118-15;

Career and Technical Education-Basic Grants to States (Perkins IV), U.S. Department of Education, passed through California Department of Education, CFDA No. 84.048, Grant Agreement No. 15-14894-6473-00.

Recommendations

Child Care and Development Fund

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

Gaining Early Awareness and Readiness for Undergraduate Programs (GEAR-UP) 4 LA

We recommend that the District strengthen its processes to ensure that financial data is reported accurately for the GEAR-UP program.

Career and Technical Education-Basic Grants to States (Perkins IV)

We recommend that the District strengthen its processes to ensure that the annual enrollment, program completion, and placement data are reported accurately.

Current Status

Implemented

Finding F-2016-006 – Special Tests and Provisions

Program Identification

Title I Grants to Local Educational Agencies, U.S. Department of Education, passed through California Department of Education, CFDA No. 84.010, Grant Agreement No. 14329-6473.

Recommendations

Assessment System Security

We recommend that the District strengthen its monitoring process to ensure that the required Security Forms are signed and dated prior to the test date and are maintained in a systematic manner.

Highly Qualified Teachers

We recommend that the District strengthen its monitoring process to ensure that schools submit the certifications within the timeframe specified by the District.

Annual Report Card, High School Graduation Rate

We recommend the District continue to strengthen its controls over enrollment status by providing adequate supervision/training to ensure that student records are accurate.

Current Status

Implemented

Section IV - Findings and Questioned Costs Relating to State Awards

S-2016-001 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

- 7th Street Elementary School
- Leland Street Elementary School
- Oxnard Street Elementary School
- Plummer Elementary School

Recommendation

We recommend that the District continue to strengthen its controls over implementing District policies over student attendance reporting. Furthermore, we recommend that the District continue to provide adequate attendance reporting training to the schools, so that proper attendance reporting procedures are adhered to.

Current Status

Implemented.

S-2016-002 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

- Samuel Gompers Middle School
- Diego Rivera Learning Complex Public Service Community
- Eagle Rock High School
- Narbonne Senior High – Humanities & Arts Academy of Los Angeles
- Theodore Roosevelt Senior High

Recommendation

We recommend that the District continue to strengthen its controls over implementing District policies over student attendance reporting. Furthermore, we recommend that the District continue to provide adequate attendance reporting training to the schools so that proper attendance reporting procedures are adhered to.

Current Status

Implemented.

S-2016-003 – Teacher Certification and Misassignments

State Audit Guide Finding Codes: 40000 and 71000

Schools Affected

- Carson Senior High School - Academy of Medical Arts
- San Fernando Middle School Institute of Applied Media (SFIAM)
- Theodore Roosevelt Senior High School

Recommendation

We recommend that the schools and District strengthen controls to ensure that the teachers are assigned to teach in a position consistent with the authorization of his/her certification.

Current Status

Implemented.

S-2016-004 – Kindergarten Continuance

State Audit Guide Finding Codes: 40000

School Affected

- Towne Avenue Elementary School

Recommendation

We recommend that the School adhere to the District's policy by retaining evidence of the signed and dated parental agreement to continue forms for all students repeating kindergarten prior to the start of the school year to support the inclusion of such pupils in the average daily attendance computation.

Current Status

Implemented.

S-2016-005 Independent Study – Attendance Computations

State Program: Attendance Accounting: Attendance Reporting

State Audit Guide Finding Codes: 10000 and 40000

Schools Affected

- Maxine Waters AEWC
- Belvedere Learning Center AEWC

Recommendation

We recommend that the District strengthen its review process over independent study to ensure that required approvals over master agreements are obtained before the commencement of independent study, to ensure attendance reporting is appropriate.

Current Status

Implemented.

S-2016-006 – After School Education and Safety Program

State Program: After School Education and Safety Program

State Audit Guide Finding Codes: 40000

Schools Affected

- 96th Street Elementary
- Barton Hill Elementary
- Budlong Avenue Elementary
- Danube Avenue Elementary
- Ernest Lawrence Middle School
- George Washington Carver Middle School
- Gulf Avenue Elementary
- Harmony Elementary School
- Hollenbeck Middle School
- Los Angeles Academy Middle School
- Luther Burbank Middle School
- Maywood Elementary School
- Miles Avenue Elementary
- Orville Wright Engineering and Design Magnet
- Park Western Place Elementary
- San Gabriel Avenue Elementary
- Stanford Avenue Elementary
- Thomas A Edison Middle School
- Walter Reed Middle School
- William Jefferson Clinton Middle School
- William R Anton Elementary
- Wilmington Middle School
- Wisdom Elementary
- Young Oak Kim Academy

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.

Current Status

Implemented.

S-2016-007 Immunizations

State Audit Guide Finding Codes: 40000

Schools Affected

- 186th Street Elementary School
- 52nd Street Elementary School
- 68th Street Elementary School
- 6th Avenue Elementary School
- 74th Street Elementary School
- 96th Street Elementary School
- Alta Loma Elementary School
- Angeles Mesa Elementary School
- Buchanan Street Elementary School
- Carson Street Elementary School
- Castle Heights Elementary School
- Cesar Chavez Elementary School
- Cimarron Avenue Elementary School
- Clover Avenue Elementary School
- Coeur D Alene Avenue Elementary School
- Dolores Street Elementary School
- Francisco Sepulveda Middle School
- Francisco Sepulveda MS Gifted/High Achiever Magnet
- Gardner Street Elementary School
- Gerald A Lawson Academy of the Arts Math Science Elementary School
- Grape Street Elementary School
- Griffin Avenue Elementary School
- Harvard Elementary School
- Haynes Charter for Enriched Studies
- Hillcrest Drive Elementary School
- Huntington Park Elementary School
- Leo Politi Elementary School
- Lovelia P Flournoy Elementary School
- Loyola Village Elementary School
- Manhattan Place Elementary School
- Menlo Avenue Elementary School
- Montara Avenue Elementary School
- Pacific Boulevard School
- Palisades Charter Elementary School
- Raymond Avenue Elementary School
- Robert Frost Middle School
- Robert Frost Middle School Computer/Math/Science Magnet
- Short Avenue Elementary School
- Van Deene Avenue Elementary School
- Virginia Road Elementary School
- Wilshire Crest Elementary School
- Windsor Hills Elementary Math/Science Aerospace Magnet
- Young Empowered Scholars Academy

Recommendation

We recommend that the District strengthen its controls over implementing District policies over pupil immunization record tracking. Furthermore, we recommend that the District continue to provide adequate training to the schools, so that proper monitoring of pupil’s immunization are adhered to.

Current Status

Implemented.

S-2015-005 – Teacher Certification and Misassignments

State Audit Guide Finding Codes: 40000 and 71000

Schools Affected

- Arleta Senior High School
- Augustus F Hawkins Senior High
- Dr. Maya Angelou Community Senior High
- Woodland Hills Academy Middle School

Recommendation

We recommend that the schools and District strengthen controls to ensure that the teachers are assigned to teach in a position consistent with the authorization of his/her certification.

Current Status

Implemented.

INDEPENDENT AUDITOR'S MANAGEMENT LETTER

SIMPSON & SIMPSON
CERTIFIED PUBLIC ACCOUNTANTS

FOUNDING PARTNERS
BRAINARD C. SIMPSON, CPA
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December 14, 2017

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, 2017, 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. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies as items FS-2017-001.

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 211. 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,

Simpson & Simpson

Current Year Management Letter Comments

ML-2017-001 Business Continuity Planning Project

Condition

Our review of the Business Continuity Planning project for LAUSD revealed that a Business Continuity Plan (BCP)for Information Technology Division (ITD) mission critical business processes and accounting systems (for example, SAP Payroll, MISIS, Welligent, CMS, etc.) have not been documented. This is a result of ITD not being classified as a Tier 1 Division in the District's BCP Strategic Execution Plan (SEP).

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.

Management Response

ITD will be included with the other TIER 1 Divisions and develop Business Continuity Plans for the major business units within the division. Additionally, ITD is seeking an SRM Architect that will design the processes for the failover of the major systems to the Secondary Data Center, as well as the transfer back to the Primary Data Center.

Status of Prior Year Management Letter Comments

ML-2016-001 Business Continuity /IT Disaster Recovery Planning
ML-14-07 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

Corrective action(s) partially implemented. The Business Continuity Plan and IT Disaster Recovery Planning are in process, but are not completed, for in-scope District functional units.

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

Corrective action(s) partially implemented. A security plan has been completed. Information security management policy and procedures are in process. This is a five (5) year project starting this year (2017).

ML-2015-004 My Integrated Student Information Systems (MiSiS)

Recommendation

ITD management should implement an automated interface to process a file of employee status changes (e.g., school reassignments) against the MiSiS application security data.

Current Status

Corrective action(s) not implemented. See the FS-2017-001 (MISIS User Access) of the Schedule of Findings and Questioned Costs section.

Status of Prior Year Management Letter Comments

ML-2014-05 SAP Cost Center Assignments Transaction Access

Recommendation

Inappropriate access to the SAP cost center assignments transaction (PP03) should be removed in a timely manner. Also, the District's SAP GRC (Governance, Risk and Compliance) tool can be utilized to facilitate and document a periodic review (for example every 6 to 12 months) of SAP security roles by their respective business owner.

Current Status

Corrective action(s) implemented.

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APPENDIX C

BOOK-ENTRY ONLY SYSTEM

THE INFORMATION IN THIS APPENDIX C CONCERNING THE DEPOSITORY TRUST COMPANY AND ITS BOOK-ENTRY SYSTEM HAS BEEN OBTAINED FROM SOURCES THAT THE DISTRICT AND THE UNDERWRITERS BELIEVE TO BE RELIABLE, BUT THE DISTRICT AND THE UNDERWRITERS TAKE NO RESPONSIBILITY FOR THE ACCURACY OR COMPLETENESS THEREOF. THERE CAN BE NO ASSURANCE THAT THE DEPOSITORY TRUST COMPANY WILL ABIDE BY ITS PROCEDURES OR THAT SUCH PROCEDURES WILL NOT BE CHANGED FROM TIME TO TIME.

The Depository Trust Company ("DTC") will act as securities depository for the 2018 Bonds. The 2018 Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered security certificate will be issued for each maturity of the 2018 Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.6 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com. Information on these websites is not incorporated herein by reference.

Purchases of the 2018 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the 2018 Bonds on DTC's records. The ownership interest of each actual purchaser of each security ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the 2018 Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the 2018 Bonds, except in the event that use of the book-entry system for the 2018 Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of the 2018 Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the 2018 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of the 2018 Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the 2018 Bonds, such as redemptions, tenders, defaults, and proposed amendments to the security documents. For example, Beneficial Owners of the 2018 Bonds may wish to ascertain that the nominee holding the 2018 Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the 2018 Bonds are to be redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the District as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the 2018 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions, and other payments on the 2018 Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the District, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC or the District subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and other payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the District, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the 2018 Bonds at any time by giving reasonable notice to the District. Under such circumstances, in the event that a successor depository is not obtained, security certificates are required to be printed and delivered.

The District may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, certificates will be printed and delivered to DTC and the requirements of the County Resolution with respect to certificated Bonds will apply.

THE DISTRICT, THE COUNTY, THE PAYING AGENT, THE MUNICIPAL ADVISORS, AND THE UNDERWRITERS CANNOT AND DO NOT GIVE ANY ASSURANCES THAT DTC, DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS OF DTC WILL DISTRIBUTE TO THE BENEFICIAL OWNERS OF THE 2018 BONDS (1) PAYMENTS OF PRINCIPAL OF AND INTEREST EVIDENCED BY THE BONDS (2) CONFIRMATIONS OF THEIR OWNERSHIP INTERESTS IN THE 2018 BONDS OR (III) OTHER NOTICES SENT TO DTC OR CEDE & CO., ITS PARTNERSHIP NOMINEE, AS THE REGISTERED OWNER OF THE 2018 BONDS, OR THAT THEY WILL DO SO ON A TIMELY BASIS, OR THAT DTC, DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS WILL SERVE AND ACT IN THE MANNER DESCRIBED IN THIS OFFICIAL STATEMENT.

NEITHER THE DISTRICT, THE COUNTY, THE PAYING AGENT, THE MUNICIPAL ADVISORS, NOR THE UNDERWRITERS WILL HAVE ANY RESPONSIBILITY OR OBLIGATIONS TO DTC, THE DIRECT PARTICIPANTS, THE INDIRECT PARTICIPANTS OF DTC OR THE BENEFICIAL OWNERS WITH RESPECT TO (1) THE ACCURACY OR COMPLETENESS OF ANY RECORDS MAINTAINED BY DTC OR ANY DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS OF DTC, (2) THE PAYMENT BY DTC OR ANY DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS OF DTC OF ANY AMOUNT DUE TO ANY BENEFICIAL OWNER IN RESPECT OF THE PRINCIPAL AMOUNT OF OR INTEREST ON THE 2018 BONDS, (3) THE DELIVERY BY DTC OR ANY DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS OF DTC OF ANY NOTICE TO ANY BENEFICIAL OWNER THAT IS REQUIRED OR PERMITTED TO BE GIVEN TO OWNERS UNDER THE TERMS OF THE COUNTY RESOLUTION, OR (4) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS OWNER OF THE 2018 BONDS.

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APPENDIX D

PROPOSED FORM OF OPINION OF BOND COUNSEL

Upon the delivery of the 2018 Bonds, Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the District, proposes to render its final approving opinion with respect to the 2018 Bonds in substantially the following form:

[Date of Delivery]

Los Angeles Unified School District
Los Angeles, California

Los Angeles Unified School District
(County of Los Angeles, California)
General Obligation Bonds, Election of 2005, Series M (2018)
(Dedicated Unlimited *Ad Valorem* Property Tax Bonds)

and

Los Angeles Unified School District
(County of Los Angeles, California)
General Obligation Bonds, Election of 2008, Series B (2018)
(Dedicated Unlimited *Ad Valorem* Property Tax Bonds)
(Final Opinion)

Ladies and Gentlemen:

We have acted as bond counsel to the Los Angeles Unified School District (the "District") in connection with the issuance by the County of Los Angeles (the "County"), on behalf of the District, which is located in the County, of (a) $130,000,000 aggregate principal amount of bonds designated as "Los Angeles Unified School District (County of Los Angeles, California) General Obligation Bonds, Election of 2005, Series M (2018) (Dedicated Unlimited *Ad Valorem* Property Tax Bonds)" (the "Series M Bonds"), consisting of $117,005,000 aggregate principal amount of the Los Angeles Unified School District (County of Los Angeles, California) General Obligation Bonds, Election of 2005, Series M-1 (2018) (Tax-Exempt) (the "Tax-Exempt Series M-1 Bonds") and $12,995,000 aggregate principal amount of the Los Angeles Unified School District (County of Los Angeles, California) General Obligation Bonds, Election of 2005, Series M-2 (2018) (Federally Taxable) (the "Taxable Series M-2 Bonds"), and (b) $1,220,000,000 aggregate principal amount of bonds designated as "Los Angeles Unified School District (County of Los Angeles, California) General Obligation Bonds, Election of 2008, Series B (2018) (Dedicated Unlimited *Ad Valorem* Property Tax Bonds)" (the "Series B Bonds" and, together with the Series M Bonds, the "2018 Bonds"), consisting of $1,085,440,000 aggregate principal amount of the Los Angeles Unified School District (County of Los Angeles, California) General Obligation Bonds, Election of 2008, Series B-1 (2018) (Tax-Exempt) (the "Tax-Exempt Series B-1 Bonds" and, together with the Tax-Exempt Series M-1 Bonds, the "Tax-Exempt Bonds") and $134,560,000 aggregate principal amount of the Los Angeles Unified School District (County of Los Angeles, California) General Obligation Bonds, Election of 2008, Series B-2 (2018) (Federally Taxable) (the "Taxable Series B-2 Bonds" and, together with the Taxable Series M-2 Bonds, the "Taxable Bonds"). The Series M Bonds represent part of an issue in the aggregate principal amount of $3,985,000,000 authorized at an election held in the District on November 8, 2005. The Series B Bonds represent part of an issue in the aggregate principal amount of $7,000,000,000 authorized at an election held in the District on November 4, 2008. The 2018 Bonds are issued under and pursuant to a resolution of the Board of Supervisors of the County adopted on February 13, 2018 (the "County Resolution"), at the request of the District pursuant to a resolution of the Board of Education of the District adopted on December 12, 2017 (the "District Resolution").

In such connection, we have reviewed the District Resolution, the County Resolution, the Tax Certificate of the District, dated the date hereof (the "Tax Certificate"), relating to the Tax-Exempt Bonds, certificates of the District, the County and others, and such other documents, opinions and matters to the extent we deemed necessary to render the opinions set forth herein.

The opinions expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions and cover certain matters not directly addressed by such authorities. Such opinions may be affected by actions taken or omitted or events occurring after the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions are taken or omitted or events do occur or any other matters come to our attention after the date hereof. Accordingly, this letter speaks only as of its date and is not intended to, and may not, be relied upon or otherwise used in connection with any such actions, events or matters. Our engagement with respect to the 2018 Bonds has concluded with their issuance, and we disclaim any obligation to update this letter. We have assumed the genuineness of all documents and signatures presented to us (whether as originals or as copies) and the due and legal execution and delivery thereof by, and validity against, any parties other than the District. We have assumed, without undertaking to verify, the accuracy of the factual matters represented, warranted or certified in the documents referred to in the second paragraph hereof. Furthermore, we have assumed compliance with all covenants and agreements contained in the District Resolution, the County Resolution and the Tax Certificate, including, without limitation, covenants and agreements compliance with which is necessary to ensure that future actions, omissions or events will not cause interest on the Tax-Exempt Bonds to be included in gross income for federal income tax purposes. We call attention to the fact that the rights and obligations under the 2018 Bonds, the District Resolution, the County Resolution and the Tax Certificate and their enforceability may be subject to bankruptcy, insolvency, receivership, reorganization, arrangement, fraudulent conveyance, moratorium and other laws relating to or affecting creditors' rights, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases and to the limitations on legal remedies against school districts or counties in the State of California. We express no opinion with respect to any indemnification, contribution, liquidated damages, penalty (including any remedy deemed to constitute a penalty), right of set-off, arbitration, judicial reference, choice of law, choice of forum, choice of venue, non-exclusivity of remedies, waiver or severability provisions contained in the foregoing documents, nor do we express any opinion with respect to the state or quality of title to or interest in any of the assets described in or as subject to the lien of the District Resolution or the County Resolution, or the accuracy or sufficiency of the description contained therein of, or the remedies available to enforce liens on, any such assets. Our services did not include financial or other non-legal advice. Finally, we undertake no responsibility for the accuracy, completeness or fairness of the Official Statement, dated February 21, 2018, or other offering material relating to the 2018 Bonds and express no opinion with respect thereto.

Based on and subject to the foregoing, and in reliance thereon, as of the date hereof, we are of the following opinions:

1. The 2018 Bonds constitute valid and binding obligations of the District.

2. The District Resolution has been duly and legally adopted and constitutes a valid and binding obligation of the District.

3. The County Resolution has been duly and legal adopted and constitutes a valid and binding obligation of the County.

4. The Board of Supervisors of the County has power and is obligated to levy *ad valorem* taxes without limitation as to rate or amount upon all property within the District's boundaries subject to taxation by the District (except certain personal property which is taxable at limited rates) for the payment of the 2018 Bonds and the interest thereon.

5. Interest on the Tax-Exempt Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986. Interest on the Tax-Exempt Bonds is not a specific preference item for purposes of the federal alternative minimum tax. Interest on the 2018 Bonds is exempt from State of California personal income taxes. We express no opinion regarding other tax consequences related to the ownership or disposition of, or the amount, accrual or receipt of interest on, the 2018 Bonds.

Faithfully yours,

ORRICK, HERRINGTON & SUTCLIFFE LLP

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APPENDIX E

FORM OF CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (the "Disclosure Certificate") is executed and delivered by the Los Angeles Unified School District (the "District") in connection with the issuance of its Bonds (defined herein), which are being issued pursuant to the laws of the State of California, the Resolutions (defined herein). The District covenants and agrees as follows:

Section 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the District and the Dissemination Agent for the benefit of the Holders and Beneficial Owners of the Bonds and in order to assist the Participating Underwriters in complying with Securities and Exchange Commission Rule 15c2 12(b)(5).

Section 2. Definitions. In addition to the definitions set forth in the Resolutions, which apply to any capitalized term used in this Disclosure Certificate unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

"Annual Report" shall mean any Annual Report provided by the District pursuant to, and as described in, Sections 4 and 5 of this Disclosure Certificate.

"CUSIP Numbers" shall mean the Committee on Uniform Security Identification Procedure's unique identification number for each public issue of a security.

"Beneficial Owner" shall mean any person who (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries), or (b) is treated as the owner of any Bonds for federal income tax purposes.

"Bonds" shall mean, severally, each of the Los Angeles Unified School District (County of Los Angeles, California) General Obligation Bonds, Election of 2005, Series M (2018) (Dedicated Unlimited Ad Valorem Property Tax Bonds), consisting of the Series M-1 (2018)(Tax-Exempt) Bonds and the Series M-2 (2018)(Federally Taxable) Bonds, and the Los Angeles Unified School District (County of Los Angeles, California) General Obligation Bonds, Election of 2008, Series B (2018) (Dedicated Unlimited Ad Valorem Property Tax Bonds), consisting of the Series B-1 (2018)(Tax-Exempt) Bonds and the Series B-2 (2018)(Federally Taxable) Bonds.

"County" shall mean the County of Los Angeles, California.

"Dissemination Agent" shall mean Digital Assurance Certification, L.L.C., or any successor Dissemination Agent designated in writing by the District and which has filed with the District a written acceptance of such designation.

"Disclosure Counsel" shall mean an attorney-at-law, or a firm of such attorneys, of nationally recognized standing in matters pertaining to the disclosure obligations under the Rule, duly admitted to the practice of law before the highest court of any state of the United States of America.

"EMMA System" shall mean the MSRB's Electronic Municipal Market Access system, the current internet address of which is http://emma.msrb.org.

"Holder" shall mean either the registered owners of the Bonds, or if the Bonds are registered in the name of The Depository Trust Company or another recognized depository, any applicable participant in such depository system.

"Listed Events" shall mean any of the events listed in Section 6(b) of this Disclosure Certificate.

"MSRB" shall mean the Municipal Securities Rulemaking Board established pursuant to Section 15B(b)(1) of the Securities Exchange Act of 1934, or any successor thereto or to the functions of the MSRB contemplated by this Disclosure Certificate.

"Official Statement" shall mean the Official Statement dated February 21, 2018 with respect to the Bonds.

"Participating Underwriters" shall mean the original underwriters of the Bonds required to comply with the Rule in connection with offering of the Bonds.

"Resolutions" shall mean the resolution adopted by the Board of Education of the District on December 12, 2017 and the resolution adopted by the Board of Supervisors of the County on February 13, 2018, relating to the issuance of the Bonds.

"Rule" shall mean Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

Section 3. Transmission of Notices, Documents and Information.

(a) Unless otherwise required by the MSRB, all notices, documents and information provided to the MSRB shall be provided to the EMMA System.

(b) All notices, documents and information provided to the MSRB shall be provided in an electronic format as prescribed by the MSRB.

Section 4. Provision of Annual Reports. The District shall, or shall cause the Dissemination Agent to, not later than 240 days following the end of the District's fiscal year (currently ending June 30), commencing with the report for the 2017-18 Fiscal Year (which is due not later than February 25, 2019), provide to the MSRB through its EMMA System an Annual Report which is consistent with the requirements of Section 5 of this Disclosure Certificate. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 5 of this Disclosure Certificate. If the District's fiscal year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 6(c).

Not later than thirty (30) days (not more than sixty (60) days) prior to the date on which the Annual Report is to be provided pursuant to subsection (a), the Dissemination Agent shall give notice to the District that the Annual Report is so required to be filed in accordance with the terms of this Disclosure Certificate. Not later than fifteen (15) days prior to said date, the District shall provide the Annual Report to the Dissemination Agent (if other than the District). If the District is unable to provide to the MSRB through its EMMA System an Annual Report by the date required in subsection (a), the Dissemination Agent shall send a notice of such fact to the MSRB through its EMMA System.

The Dissemination Agent shall: determine each year prior to the date for providing the Annual Report to the EMMA System the date on which such Annual Report shall be due and notify the District of such date; and (if the Dissemination Agent is other than the District) file a report with the District certifying that the Annual Report has been provided pursuant to this Disclosure Certificate, stating the date it was provided and that it was provided to the MSRB through the EMMA System.

Section 5. Content of Annual Reports. The District's Annual Report shall contain or include by reference the following:

(a) Audited financial statements of the District for the preceding fiscal year, prepared in accordance with the laws of the State of California and including all statements and information prescribed for inclusion therein by the Controller of the State of California. If the District's audited financial statements are not available by the time the Annual Report is required to be filed pursuant to Section 4 hereof, the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in the final Official Statement, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available.

(b) To the extent not included in the audited financial statement of the District, the Annual Report shall also include the following:

(i) Table 2 – "Historical Gross Assessed Valuation of Taxable Property" if and to the extent provided to the District by the County;

(ii) Table 4 – "Assessed Valuation and Parcels by Land Use";

(iii) Table 5 – "Assessed Valuations of Single Family Homes per Parcel";

(iv) Table 6 – "Largest Local Secured Taxpayers";

(v) Table 8 – "Secured Tax Charges and Delinquencies," if and to the extent provided to the District by the County;

(vi) Table A-1 – "Annual Average Daily Attendance";

(vii) Table A-6 – "District General Fund Budget" for the current fiscal year;

(viii) Table A-21 – "Proposition BB (Election of 1997) Bonds," if and only to the extent that bonds issued pursuant to Proposition BB or bonds that have refunded such bonds are outstanding;

(ix) Table A-22 – "Measure K (Election of 2002) Bonds," if and only to the extent that bonds issued pursuant to Measure K or bonds that have refunded such bonds are outstanding;

(x) Table A-23 – "Measure R (Election of 2004) Bonds," if and only to the extent that bonds issued pursuant to Measure R or bonds that have refunded such bonds are outstanding;

(xi) Table A-24 – "Measure Y (Election of 2005) Bonds," if and only to the extent that bonds issued pursuant to Measure Y or bonds that have refunded such bonds are outstanding; and

(xii) Table A-25 – "Measure Q (Election of 2008) Bonds," if and only to the extent that bonds issued pursuant to Measure Q or bonds that have refunded such bonds are outstanding.

(c) It shall be sufficient for purposes of Section 4 hereof if the District provides annual financial information by specific reference to documents (i) available to the public on the MSRB Internet

Web site (currently, www.emma.msrb.org) or (ii) filed with the Securities and Exchange Commission. The District shall clearly identify each such other document so included by reference. The provisions of this Section 5(c) shall not apply to notices of Listed Events pursuant to Section 6 hereof.

(d) The descriptions contained in clause (b) above of financial information and operating data constituting to be included in the Annual Report are of general categories or types of financial information and operating data. When such descriptions include information that no longer can be generated because the operations to which it related have been materially changed or discontinued, or due to changes in accounting practices, legislative or organizational changes, a statement to that effect shall be provided in lieu of such information. Comparable information shall be provided if available.

Section 6. Reporting of Listed Events.

(a) If a Listed Event occurs, the District shall provide or cause to be provided, in a timely manner not in excess of ten (10) Business Days of the District having notice of such Listed Event, notice of such Listed Event to (i) the EMMA System of the MSRB and (ii) the Dissemination Agent.

Pursuant to the provisions of this Section 6, the District shall give, or cause to be given, notice of the occurrence of any of the following events (each, a "Listed Event") with respect to the Bonds:

(i) principal and interest payment delinquencies;

(ii) non-payment related defaults, if material;

(iii) modifications to rights of Holders, if material;

(iv) Bond calls, if material and tender offers;

(v) defeasances;

(vi) rating changes;

(vii) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (Internal Revenue Service Form 5701-TEB) or other material notices of determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds;

(viii) unscheduled draws on the debt service reserves reflecting financial difficulties;

(ix) unscheduled draws on the credit enhancements reflecting financial difficulties;

(x) release, substitution or sale of property securing repayment of the Bonds, if material;

(xi) bankruptcy, insolvency, receivership or similar event of the District (such event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for the District in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under State or federal law in which a court or government authority has assumed jurisdiction over substantially all of the assets or business of the District, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the District);

(xii) substitution of credit or liquidity providers, or their failure to perform;

(xiii) the consummation of a merger, consolidation, or acquisition involving the District or the sale of all or substantially all of the assets of the District, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;

(xiv) appointment of a successor or additional Paying Agent or the change of name of a Paying Agent, if material; and

(xv) any amendment or waiver of a provision of this Disclosure Certificate.

The District notes that items (viii), (ix), (x) and (xii) are not applicable to the Bonds.

If the District determines that a Listed Event has occurred, the District shall promptly notify the Dissemination Agent in writing. Such notice shall instruct the Dissemination Agent to report the occurrence pursuant to Section 3 hereof.

If the Dissemination Agent has been instructed by the District to report the occurrence of a Listed Event, the Dissemination Agent shall file a notice of such occurrence with the MSRB through its EMMA System.

Notwithstanding the foregoing, notice of Listed Events described in subsections (b)(iv) and (v) need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to Holders of affected Bonds pursuant to the Resolutions.

Section 7. CUSIP Numbers. Whenever providing information to the Dissemination Agent, including but not limited to Annual Reports, documents incorporated by reference to the Annual Reports, Audited Financial Statements and notices of Listed Events, the District shall indicate the full name of the 2018 Bonds and the 9-digit CUSIP numbers for the Bonds as to which the provided information relates.

Section 8. Termination of Reporting Obligation.

(a) The District's obligations under this Disclosure Certificate with respect to each series of Bonds shall terminate upon the legal defeasance, prior redemption or payment in full of all of such Bonds. If such termination occurs prior to the final maturity of the Bonds of a series, the District shall give notice of such termination in the same manner as for a Listed Event under Section 6(c).

(b) This Disclosure Certificate, or any provision hereof, shall cease to be effective in the event that the District (1) delivers to the Dissemination Agent an opinion of Disclosure Counsel, addressed to the District and the Dissemination Agent, to the effect that those portions of the Rule which require this Disclosure Certificate, or such provision, as the case may be, do not or no longer apply to the Bonds, whether because such portions of the Rule are invalid, have been repealed, or otherwise, as shall be specified in such opinion, and (2) delivers copies of such opinion to the MSRB.

Section 9. Dissemination Agent. The District may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any such Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent shall be Digital Assurance Certification, L.L.C. If at any time there is no designated Dissemination Agent appointed by the District, or if the Dissemination Agent so appointed is unwilling or unable to perform the duties of the Dissemination Agent hereunder, the District shall be the Dissemination Agent and undertake or assume its obligations hereunder. The Dissemination Agent (other than the District) shall not be responsible in any manner for the content of any notice or report required to be delivered by the District pursuant to this Disclosure Certificate.

Section 10. Amendment; Waiver. (a) This Disclosure Certificate may be amended by the District without the consent of the holders of the Bonds (except to the extent required under clause (a)(iv)(2) below), if all of the following conditions are satisfied:

(i) such amendment is made in connection with a change in circumstances that arises from a change in legal (including regulatory) requirements, a change in law (including rules or regulations) or in interpretations thereof, or a change in the identity, nature or status of the District or the type of business conducted thereby;

(ii) this Disclosure Certificate as so amended would have complied with the requirements of the Rule as of the date of this Disclosure Certificate, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances;

(iii) the District shall have received an opinion of a nationally recognized bond counsel or counsel expert in federal securities laws, addressed to the District, to the same effect as set forth in (a)(ii) above;

(iv) either (1) the District shall have received an opinion of a nationally recognized bond counsel or counsel expert in federal securities laws, addressed to the District, to the effect that the amendment does not materially impair the interests of the holders of the Bonds or (2) is approved by the Holders of the Bonds in the same manner as provided in the Resolutions for amendments to the Resolutions with the consent of Holders; and

(v) the District shall have delivered copies of such opinion and amendment to the MSRB through its EMMA system within ten (10) Business Days from the execution thereof.

(b) In addition to subsection 10(a) above, this Disclosure Certificate may be amended and any provision of this Disclosure Certificate may be waived, by written certificate of the District, without the consent of the holders of the Bonds, if all of the following conditions are satisfied:

(i) an amendment to the Rule is adopted, or a new or modified official interpretation of the Rule is issued, after the effective date of this Disclosure Certificate which is applicable to this Disclosure Certificate;

(ii) the District shall have received an opinion of a nationally recognized bond counsel or counsel expert in federal securities laws, addressed to the District, to the effect that performance by the District under this Disclosure Certificate as so amended or giving effect to such waiver, as the case may be, will not result in a violation of the Rule; and

(iii) the District shall have delivered copies of such opinion and amendment to the MSRB through its EMMA system.

(c) In the event of any amendment or waiver of a provision of this Disclosure Certificate, the District shall describe such amendment in the next Annual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the District. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (i) notice of such change shall be given in the same manner as for a Listed Event under Section 6 hereof, and (ii) the Annual Report for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

Section 11. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the District from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the District chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, the District shall have no obligation under this Disclosure Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

Section 12. Default. In the event of a failure of the District to comply with any provision of this Disclosure Certificate, the Dissemination Agent may (and, at the request of any Participating Underwriters or the Holders or Beneficial Owners of at least 25% of aggregate principal amount of the Bonds then outstanding, shall) or any Holders or Beneficial Owners of the Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the District to comply with its obligations under this Disclosure Certificate; provided that any such action may be instituted only in the Superior Court of the State of California in and for the County of Los Angeles or in the U.S. District Court in the County of Los Angeles. A default under this Disclosure Certificate shall not be deemed an Event of Default under the Resolutions, and the sole remedy under this Disclosure Certificate in the event of any failure of the District to comply with this Disclosure Certificate shall be an action to compel performance.

Section 13. Duties, Immunities and Liabilities of Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate, and the District agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys' fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's gross negligence or willful misconduct. The obligations of the District under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

Section 14. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the District, the Dissemination Agent, the Participating Underwriters and Holders and Beneficial Owners from time to time of the Bonds, and shall create no rights in any other person or entity.

Dated: March 8, 2018

LOS ANGELES UNIFIED SCHOOL DISTRICT

By: ______________________________
Dr. Scott Price
Chief Financial Officer

ACKNOWLEDGED AND AGREED TO BY:

DIGITAL ASSURANCE CERTIFICATION, L.L.C.,
as Dissemination Agent

By: ______________________________
Dissemination Agent

APPENDIX F

THE LOS ANGELES COUNTY TREASURY POOL

The Treasurer and Tax Collector of the County of Los Angeles (the "Treasurer") manages, in accordance with California Government Code Section 53600 et seq., funds deposited with the Treasurer by County school and community college districts, various special districts and some cities. State law generally requires that all moneys of the County, school districts and certain special districts be held in the County's Treasury Pool (the "Treasury Pool") as described below. The composition and value of investments under management in the Treasury Pool vary from time to time, depending on the cash flow needs of the County and the other public agencies invested in the Treasury Pool, the maturity or sale of investments, purchase of new securities and fluctuations in interest rates generally. The Treasurer maintains a website, the address of which is http://ttc.lacounty.gov, on which the Treasurer periodically places information relating to the Treasury Pool. However, the information presented there is not part of this Official Statement, is not incorporated by reference herein and should not be relied upon in making an investment decision with respect to the 2018 Bonds.

County of Los Angeles Pooled Surplus Investments

The Treasurer and Tax Collector (the "Treasurer") of the County of Los Angeles (the "County") has the delegated authority to invest funds on deposit in the County Treasury (the "Treasury Pool"). As of December 31, 2017, investments in the Treasury Pool were held for local agencies including school districts, community college districts, special districts and discretionary depositors such as cities and independent districts in the following amounts:

Local Agency	Invested Funds (in billions)
County of Los Angeles and Special Districts	$16.409
Schools and Community Colleges	14.094
Independent Public Agencies	2.475
Total	$32.978

The Treasury Pool participation composition is as follows:

Non-discretionary Participants	92.49%
Discretionary Participants:	
Independent Public Agencies	7.03%
County Bond Proceeds and Repayment Funds	0.48%
Total	100.00%

Decisions on the investment of funds in the Treasury Pool are made by the County Investment Officer in accordance with established policy, with certain transactions requiring the Treasurer's prior approval. In Los Angeles County, investment decisions are governed by Chapter 4 (commencing with Section 53600) of Part 1 of Division 2 of Title 5 of the California Government Code, which governs legal investments by local agencies in the State of California, and by a more restrictive Investment Policy developed by the Treasurer and adopted by the Los Angeles County Board of Supervisors on an annual basis. The Investment Policy adopted on March 21, 2017, reaffirmed the following criteria and order of priority for selecting investments:

1. Safety of Principal
2. Liquidity
3. Return on Investment

The Treasurer prepares a monthly Report of Investments (the "Investment Report") summarizing the status of the Treasury Pool, including the current market value of all investments. This report is submitted monthly to the Board of Supervisors. According to the Investment Report dated January 31, 2018, the December 31, 2017 book value of the Treasury Pool was approximately $32.978 billion and the corresponding market value was approximately $32.706 billion.

An internal controls system for monitoring cash accounting and investment practices is in place. The Treasurer's Compliance Auditor, who operates independently from the Investment Officer, reconciles cash and investments to fund balances daily. The Compliance Auditor's staff also reviews each investment trade for accuracy and compliance with the Board adopted Investment Policy. On a quarterly basis, the County's outside independent auditor (the "External Auditor") reviews the cash and investment reconciliations for completeness and accuracy. Additionally, the External Auditor reviews investment transactions on a quarterly basis for conformance with the approved Investment Policy and annually accounts for all investments.

The following table identifies the types of securities held by the Treasury Pool as of December 31, 2017:

Type of Investment	% of Pool
U.S. Government and Agency Obligations	58.61%
Certificates of Deposit	10.46
Commercial Paper	30.73
Bankers Acceptances	0.00
Municipal Obligations	0.05
Corporate Notes & Deposit Notes	0.15
Asset Backed Instruments	0.00
Repurchase Agreements	0.00
Other	0.00
	100.00%

The Treasury Pool is highly liquid. As of December 31, 2017 approximately 39.05% of the investments mature within 60 days, with an average of 579 days to maturity for the entire portfolio.

LOS ANGELES UNIFIED SCHOOL DISTRICT (County of Los Angeles, California) • General Obligation Bonds, Election of 2005, Series M (2018) and Election of 2008, Series B (2018) (Dedicated Unlimited Ad Valorem Property Tax Bonds)

Mixed Sources
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