

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

**\$1,080,830,000**

LOS ANGELES UNIFIED SCHOOL DISTRICT
(County of Los Angeles, California)
2017 General Obligation Refunding Bonds, Series A
(Dedicated Unlimited Ad Valorem Property Tax Bonds)

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

The Los Angeles Unified School District (County of Los Angeles, California) 2017 General Obligation Refunding Bonds, Series A (Dedicated Unlimited Ad Valorem Property Tax Bonds) (the “Refunding Bonds”) are being issued by the Los Angeles Unified School District (the “District”), located in the County of Los Angeles (the “County”), to refund and defease a portion of the Prior Bonds (defined herein) as more fully described herein. A portion of the proceeds of the Refunding Bonds will be used to pay the costs of issuance incurred in connection with the issuance of the Refunding Bonds. See “ESTIMATED SOURCES AND USES OF FUNDS” and “PLAN OF REFUNDING” herein. The Refunding Bonds are being issued under the laws of the State of California (the “State”) and the applicable authorizations received at elections held by the District as described herein, and pursuant to a resolution of the Board of Education.

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

Interest on the Refunding Bonds is payable on each January 1 and July 1 to maturity, commencing July 1, 2017. Principal of the Refunding Bonds is payable on July 1 in each of the years and in the amounts set forth on the inside front cover hereof.

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

The Refunding Bonds are not subject to redemption prior to their respective stated maturity dates. See “THE REFUNDING BONDS – No Redemption” herein.

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

The Refunding Bonds will be offered when, as and if issued by the District and received by the Underwriters, subject to the approval as to their legality by Hawkins Delafield & Wood 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, Orrick, Herrington & Sutcliffe LLP, Los Angeles, California, and for the Underwriters by Nixon Peabody LLP, Los Angeles, California. Public Resources Advisory Group, Los Angeles, California, is serving as Municipal Advisor to the District in connection with the issuance of the Refunding Bonds. The Refunding Bonds, in book-entry form, will be available for delivery through the facilities of DTC on or about May 25, 2017.

Morgan Stanley
BofA Merrill Lynch

J. P. Morgan
Goldman Sachs & Co. LLC

Blaylock Van, LLC**Cabrera Capital Markets, LLC****Fidelity Capital Markets**

**Raymond James &
Associates, Inc.**

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

\$1,080,830,000
LOS ANGELES UNIFIED SCHOOL DISTRICT
(County of Los Angeles, California)
2017 General Obligation Refunding Bonds, Series A
(Dedicated Unlimited *Ad Valorem* Property Tax Bonds)

Base CUSIP[†] Number: 544646

Maturity	Principal Amount	Interest Rate	Initial Public Offering Yield	Price	CUSIP[†] Suffix
July 1, 2017	\$23,195,000	5.000%	0.740%	100.424	5B4
July 1, 2018	1,595,000	5.000	0.830	104.555	5C2
July 1, 2019	21,345,000	5.000	0.960	108.378	5D0
July 1, 2021	3,520,000	4.000	1.250	110.956	5E8
July 1, 2022	1,170,000	3.000	1.450	107.592	5G3
July 1, 2022	169,780,000	5.000	1.450	117.389	5F5
July 1, 2023	1,710,000	2.000	1.620	102.198	5J7
July 1, 2023	159,855,000	5.000	1.620	119.555	5H1
July 1, 2024	1,065,000	4.000	1.800	114.600	5K4
July 1, 2024	189,415,000	5.000	1.800	121.236	5L2
July 1, 2025	4,480,000	4.000	2.000	114.885	5M0
July 1, 2025	187,300,000	5.000	2.000	122.329	5N8
July 1, 2026	209,305,000	5.000	2.170	123.253	5P3
July 1, 2027	1,325,000	4.000	2.280	115.436	5R9
July 1, 2027	105,770,000	5.000	2.280	124.412	5Q1

[†] CUSIP® is a registered trademark of The American Bankers Association. CUSIP Global Services (CGS) is managed on behalf of The American Bankers Association by S&P Capital IQ. Copyright(c) 2017 CUSIP Global Services. All rights reserved. CUSIP® data herein is provided by CUSIP Global Services. This data is not intended to create a database and does not serve in any way as a substitute for the CGS database. CUSIP® numbers are provided for convenience of reference only. None of the District, the Underwriter or their agents or counsel assume responsibility for the accuracy of such numbers.

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 BONDS THE UNDERWRITERS MAY OVERALLOT OR EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICE OF THE 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 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 REFUNDING BONDS HAVE NOT BEEN REGISTERED WITH THE U.S. SECURITIES AND EXCHANGE COMMISSION UNDER THE SECURITIES ACT OF 1933, AS AMENDED, NOR HAS THE REFUNDING 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 Refunding Bonds, and are not part of this Official Statement for purposes of and as that term is defined in Rule 15c2-12 adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934.

CUSIP is a registered trademark of The American Bankers Association. CUSIP data in this Official Statement is provided by CUSIP Global Services, managed by Standard & Poor’s Financial Services LLC on behalf of The American Bankers Association. CUSIP data herein is set forth for convenience of reference only. The District and the 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 Refunding Bonds are subject to being changed after the delivery of the Refunding Bonds as a result of various subsequent actions.

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

<u>District</u>	<u>Member</u>	<u>Term Ending</u>
4	Steve Zimmer, President	June 30, 2017
1	George McKenna, Vice President	June 30, 2020
2	Mónica García	June 30, 2017
3	Scott Schmerelson	June 30, 2020
5	Ref Rodriguez	June 30, 2020
6	Mónica Ratliff	June 30, 2017
7	Richard Vladovic	June 30, 2020

DISTRICT OFFICIALS

Michelle King, Superintendent
David Holmquist, General Counsel
_____, Chief Financial Officer⁽¹⁾
John Walsh, Deputy Chief Financial Officer
V. Luis Buendia, Controller
Timothy S. Rosnick, Deputy Controller

BOND COUNSEL

Hawkins Delafield & Wood LLP
Los Angeles, California

DISCLOSURE COUNSEL

Orrick, Herrington & Sutcliffe LLP
Los Angeles, California

MUNICIPAL ADVISOR

Public Resources Advisory Group
Los Angeles, California

PAYING AGENT

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

ESCROW AGENT

U.S. Bank National Association
Los Angeles, California

VERIFICATION AGENT

Causey Demgen & Moore P.C.
Denver, Colorado

⁽¹⁾ The District is currently recruiting a new Chief Financial Officer. The District expects to appoint the new Chief Financial Officer to serve as the successor to former Chief Financial Officer Megan Reilly prior to the end of Fiscal Year 2016-17.

TABLE OF CONTENTS

	Page
INTRODUCTION	1
General.....	1
The District	1
The District’s General Obligation Bond Program	2
Authority and Purpose for Issuance of the Refunding Bonds.....	4
Security and Source of Payment for the Refunding Bonds	4
Other Information	5
PLAN OF REFUNDING.....	5
ESTIMATED SOURCES AND USES OF FUNDS	7
THE REFUNDING BONDS	7
General Provisions.....	7
No Redemption	8
Defeasance and Unclaimed Moneys.....	8
SECURITY AND SOURCE OF PAYMENT FOR THE REFUNDING BONDS.....	9
General Description	9
Statutory Lien on Taxes (Senate Bill 222).....	10
Pledge of Tax Revenues.....	10
California Constitutional and Statutory Provisions Relating to <i>Ad Valorem</i>	
Property Taxes	11
Assessed Valuation of Property Within the District	12
Tax Rates, Levies and Collections.....	18
Debt Service.....	22
Aggregate Fiscal Year Debt Service.....	22
The District’s General Obligation Bond Program and Bonding Capacity	24
Overlapping Debt Obligations	24
TAX MATTERS.....	26
LEGAL MATTERS.....	28
Possible Limitations on Remedies; Bankruptcy	28
Amounts Held in County Treasury Pool.....	30
Legality for Investment in the State.....	31
Continuing Disclosure	31
Certain Legal Matters	31
FINANCIAL STATEMENTS.....	32
LITIGATION.....	32
MISCELLANEOUS	33
Ratings	33
Municipal Advisor	33
Verification of Mathematical Computations	33
Underwriting.....	33
Additional Information	34
Execution and Delivery.....	35

APPENDIX A–	DISTRICT FINANCIAL INFORMATION AND REGIONAL ECONOMIC AND DEMOGRAPHIC INFORMATION	A-1
APPENDIX B–	COMPREHENSIVE ANNUAL FINANCIAL REPORT OF THE DISTRICT FOR THE FISCAL YEAR ENDED JUNE 30, 2016	B-1
APPENDIX C–	BOOK-ENTRY ONLY SYSTEM.....	C-1
APPENDIX D–	PROPOSED FORM OF OPINION OF BOND COUNSEL	D-1
APPENDIX E–	FORM OF CONTINUING DISCLOSURE CERTIFICATE.....	E-1
APPENDIX F–	THE LOS ANGELES COUNTY TREASURY POOL.....	F-1

\$1,080,830,000
LOS ANGELES UNIFIED SCHOOL DISTRICT
(County of Los Angeles, California)
2017 General Obligation Refunding Bonds, Series A
(Dedicated Unlimited *Ad Valorem* Property Tax Bonds)

INTRODUCTION

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

General

This Official Statement, which includes the cover page through the appendices hereto, is provided to furnish information in connection with the sale of \$1,080,830,000 aggregate principal amount of Los Angeles Unified School District (County of Los Angeles, California) 2017 General Obligation Refunding Bonds, Series A (Dedicated Unlimited *Ad Valorem* Property Tax Bonds) (the “Refunding Bonds”) to be offered by the Los Angeles Unified School District (the “District”).

The Refunding Bonds are issued by the District pursuant to certain provisions of the California Government Code and other applicable law, the applicable authorizations received at elections held by the District as described herein, and a resolution adopted by the Board of Education of the District (the “District Board”) on May 10, 2016 (the “Refunding Resolution”). See “INTRODUCTION – Authority and Purpose for Issuance of the Refunding Bonds.” The Refunding Bonds are being issued to refund and defease a portion of the Prior Bonds (defined herein). A portion of the proceeds of the Refunding Bonds will be used to pay the costs of issuance incurred in connection with the issuance of the Refunding Bonds. See “ESTIMATED SOURCES AND USES OF FUNDS” and “PLAN OF REFUNDING.”

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

The District

The District, encompassing approximately 710 square miles, is located in the western section of the County of Los Angeles (the “County”) in the State of California (the “State”). The District’s boundaries include virtually all of the City of Los Angeles (the “City”), all of the Cities of Cudahy, Gardena, Huntington Park, Lomita, Maywood, San Fernando, Vernon and West

Hollywood, and portions of the Cities of Bell, Bell Gardens, Beverly Hills, Calabasas, Carson, Commerce, Culver City, Hawthorne, Inglewood, Long Beach, Lynwood, Montebello, Monterey Park, Rancho Palos Verdes, Santa Clarita, South Gate, and Torrance. In addition, the District provides services to several unincorporated areas of the County which includes 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 2016-17 consists of 625,434 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, 2016, the District operated 1,041 schools and centers, which consisted of 451 elementary schools, 83 middle/junior high schools, 97 senior high schools, 54 options schools, 156 magnet centers, 43 magnet schools, 23 multi-level schools, 15 special education schools, 2 community adult schools, 6 regional occupational centers, 2 skills centers, 1 regional occupational program, 86 early education centers, 4 infant centers, and 18 primary school centers. As of June 30, 2016, 53 of the District’s schools were operated as locally funded, affiliated charter schools. In addition, as of June 30, 2016, the District oversaw 221 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 – “COMPREHENSIVE ANNUAL FINANCIAL REPORT OF THE DISTRICT FOR THE FISCAL YEAR ENDED JUNE 30, 2016.”

The District’s General Obligation Bond Program

Voters within the District have approved a total of \$20,605,000,000 of general obligation bonds in five separate bond elections since 1997, as delineated in Table 1 below, a portion of which are currently outstanding. A total of \$13,711,815,000 of the approved general obligation bonds has been issued, with \$6,893,185,000 remaining to be issued under the bond authorizations listed below (collectively, the “Authorizations”). See “SECURITY AND SOURCE OF PAYMENT FOR THE REFUNDING BONDS – The District’s General Obligation Bond Program and Bonding Capacity.”

TABLE 1
LOS ANGELES UNIFIED SCHOOL DISTRICT
General Obligation Bond Authorizations

Bond Authorization	Date Authorized by Voters	Percentage Approval⁽¹⁾	Amount Authorized (\$ Billions)	Amount Issued⁽²⁾ (\$ Billions)	Amount Unissued⁽²⁾ (\$ Billions)	Purposes
Proposition BB	April 8, 1997	71%	\$ 2.400	\$ 2.400	\$0.000	Health and safety improvements, computer technology and science labs, air conditioning and new construction
Measure K	November 5, 2002	68	3.350	3.350	0.000	New construction, acquisition, rehabilitation and upgrading of specifically identified school facilities
Measure R	March 2, 2004	63	3.870	3.710	0.160	New construction, acquisition, rehabilitation and upgrading of specifically identified school facilities, and installation and upgrading of information-technology infrastructure
Measure Y	November 8, 2005	66	3.985	3.603	0.382	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	0.649	6.351	New construction, acquisition, rehabilitation and upgrading of specifically identified school facilities, and installation and upgrading of information-technology infrastructure
Total			<u>\$20.605</u>	<u>\$13.712</u>	<u>\$6.893</u>	

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

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

Source: Los Angeles Unified School District.

In addition to the bond proceeds from the five Authorizations referred to above, the District has received State-matching funds and other revenue sources to fund the general obligation bond program's various projects. The District may continue to receive other revenue sources, including State-matching funds, however, additional funding is not guaranteed. The District's general obligation bond program has completed all projects that will enable the District to operate all schools on a traditional two-semester calendar by the 2017-18 school year. In addition, approximately 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 Refunding Bonds

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

Security and Source of Payment for the Refunding Bonds

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

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

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

Other Information

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

PLAN OF REFUNDING

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

A portion of the proceeds from the Refunding Bonds will be deposited into an escrow fund (the “Escrow Fund”) established with respect to the Prior Bonds under an escrow agreement dated as of May 1, 2017, by and between the District and U.S. Bank National Association, as escrow bank (in such capacity, the “Escrow Agent”). The proceeds of the Refunding Bonds deposited into the Escrow Fund may be uninvested until applied to redeem the Prior Bonds or invested in accordance with resolutions authorizing the issuance of each series of the Prior Bonds. The amount deposited in the Escrow Fund, together with investment earnings thereon if amounts in the Escrow Fund are invested, will be sufficient to fully pay the interest due on the Prior Bonds and the redemption price of 100% of the principal amount of the Prior Bonds, on July 1, 2017, the redemption date therefor (the “Redemption Date”). The mathematical computations used to determine the sufficiency of the escrow deposit will be verified by the Verification Agent (defined herein). See “MISCELLANEOUS – Verification of Mathematical Computations.”

Set forth below is a description of the Prior Bonds expected to be refunded on the Redemption Date with the proceeds of the Refunding Bonds:

**Los Angeles Unified School District
(County of Los Angeles, California)
2007 General Obligation Refunding Bonds, Series A-1
(Measure K)**

Maturity Date	Principal Amount	Interest Rate	Redemption Date	Redemption Price	CUSIP (544646)
July 1, 2018	\$ 4,390,000	5.00%	July 1, 2017	100%	DH2
July 1, 2019	4,610,000	5.00	July 1, 2017	100	DJ8
July 1, 2020	4,840,000	5.00	July 1, 2017	100	DK5
July 1, 2022	158,000,000	4.50	July 1, 2017	100	DM1
July 1, 2023	157,570,000	4.50	July 1, 2017	100	DN9
July 1, 2024	183,450,000	4.50	July 1, 2017	100	DP4
July 1, 2025	184,270,000	4.50	July 1, 2017	100	DQ2
January 1, 2028	413,370,000	4.50	July 1, 2017	100	DR0

**Los Angeles Unified School District
(County of Los Angeles, California)
2007 General Obligation Refunding Bonds, Series A-2
(Proposition BB)**

Maturity Date	Principal Amount	Interest Rate	Redemption Date	Redemption Price	CUSIP (544646)
July 1, 2021	\$ 5,085,000	4.50%	July 1, 2017	100%	DS8
July 1, 2022	26,670,000	4.50	July 1, 2017	100	DT6
July 1, 2023	17,505,000	4.50	July 1, 2017	100	DU3
January 1, 2028	86,795,000	4.25	July 1, 2017	100	DV1

**Los Angeles Unified School District
(County of Los Angeles, California)
2007 General Obligation Refunding Bonds, Series B
(Proposition BB)**

Maturity Date	Principal Amount	Interest Rate	Redemption Date	Redemption Price	CUSIP (544646)
July 1, 2018	\$ 2,430,000	5.00%	July 1, 2017	100%	FX5
July 1, 2019	22,220,000	5.00	July 1, 2017	100	FY3

ESTIMATED SOURCES AND USES OF FUNDS

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

TABLE 2
ESTIMATED SOURCES AND USES OF FUNDS

Estimated Sources of Funds	
Principal Amount	\$1,080,830,000.00
Original Issue Premium	220,817,551.45
Total Sources	\$1,301,647,551.45
Estimated Uses of Funds	
Deposit to Escrow Fund	\$1,299,794,843.75
Underwriters' Discount	1,207,710.67
Costs of Issuance ⁽¹⁾	644,997.03
Total Uses	\$1,301,647,551.45

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

THE REFUNDING BONDS

General Provisions

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

The Refunding Bonds mature in the years and on the dates set forth on the inside front cover page hereof. Interest with respect to the Refunding Bonds is payable on January 1 and July 1 of each year, commencing on July 1, 2017 (each, an "Interest Payment Date"). Interest on the Refunding Bonds will be computed on the basis of a 360-day year of twelve 30-day months. Each Refunding Bond will bear interest from the Interest Payment Date next preceding the date of authentication thereof, unless it is authenticated as of a date during the period from the 15th day of the calendar month immediately preceding such Interest Payment Date, inclusive, whether or not such day is a business day (each, a "Record Date") to such Interest Payment Date, in

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

No Redemption

The Refunding Bonds are not subject to redemption prior to their respective stated maturity dates.

Defeasance and Unclaimed Moneys

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

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

The term “Defeasance Securities” means (a) 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 (i) a bank or trust company acts as custodian and holds the underlying United States obligations; (ii) 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 (iii) 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; (b) non-callable obligations of government sponsored agencies that are rated in one of the two highest rating categories assigned by Standard & Poor’s Financial Services LLC or

Moody's Investors Service but are not guaranteed by a pledge of the full faith and credit of the United States of America; and (c) Advance Refunded Municipal Securities (defined herein).

The term "Advance Refunded Municipal Securities" means any bonds or other obligations of any state of the United States of America or of any agency, instrumentality or local government unit of any such state (a) 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, (b) which are secured as to principal, premium, if any, and interest 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, premium, if any, and interest 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 (a) above, as appropriate, and (c) as to which the principal of and premium, if any, and interest on the bonds and obligations of the character described in clause (a) 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 premium, if any, and interest on such bonds or other obligations on the maturity date or dates thereof or on the redemption date or dates specified in the irrevocable instructions referred to in clause (a) above, as applicable.

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

SECURITY AND SOURCE OF PAYMENT FOR THE REFUNDING BONDS

General Description

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

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

Statutory Lien on Taxes (Senate Bill 222)

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

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

Pledge of Tax Revenues

The District has pledged all revenues from the *ad valorem* property taxes collected from the levy by the Board of Supervisors of the County and amounts on deposit in the Interest and Sinking Fund for the payment of the Refunding Bonds. The Refunding Resolution provides that such pledge is valid and binding from the date thereof for the benefit of the owners of the Refunding Bonds. The Refunding Resolution also provides that the property taxes and amounts held in the Interest and Sinking Fund are immediately subject to the pledge, and the pledge constitutes a lien and security interest which shall immediately attach to the property taxes and amounts held in the Interest and Sinking Fund to secure the payment of the Refunding Bonds and, pursuant to the Refunding Resolution, is effective, binding, and enforceable against the District, its successors, creditors and all others irrespective of whether those parties have notice of the pledge and without the need of any physical delivery, recordation, filing, or further act. The Refunding Resolution provides that this pledge constitutes an agreement between the District and the owners of Refunding Bonds to provide security for the Refunding Bonds in addition to any statutory lien that may exist, and the Refunding Bonds secured by the pledge are

issued to refinance one or more of the projects specified in the applicable voter-approved measures and not to finance the general purposes of the District.

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

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

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

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

Court issued a decision upholding the constitutionality of Article XIII A (*Nordlinger v. Hahn*, 112 S. Ct. 2326, 120 L. Ed. 2d 1 (1992)).

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

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

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

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

Assessed Valuation of Property Within the District

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

State law exempts \$7,000 of the full cash value of an owner-occupied dwelling from property tax, but this exemption does not result in any loss of revenue to local entities, including

the District, because an amount equivalent to the taxes which would have been payable on such exempt values is paid by the State to the County for distribution to local agencies. The County levies property taxes on behalf of taxing agencies in the County for each fiscal year on taxable real and personal property which is situated in the County as of the preceding January 1. However, upon a change in ownership of property or completion of new construction, State law permits the County to recognize changes in the assessed valuation of real property before the next regular assessment role is complete in order to levy taxes based on the new assessed value. In such instances, the property is reassessed and a supplemental tax bill is sent to the new owner based on the new value prorated for the balance of the tax year.

The Fiscal Year 2016-17 Assessment Roll for property within the District's boundaries reflects an increase of approximately 6.28% 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 XIII A.”

TABLE 3
LOS ANGELES UNIFIED SCHOOL DISTRICT
Historical Gross Assessed Valuation of Taxable Property⁽¹⁾
Fiscal Years 2007-08 through 2016-17
(\$ in thousands)

Fiscal Year	Secured⁽²⁾	Unsecured	Total⁽²⁾	Change From Prior Year	Percent Change
2007-08	\$419,052,509	\$21,861,881	\$440,914,390	\$38,305,553	9.51%
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

⁽¹⁾ Full cash value.

⁽²⁾ Includes utility valuations.

Sources: Los Angeles Unified School District Comprehensive Annual Financial Report for Fiscal Year 2014-15 for Fiscal Years 2007-08 through 2014-15 and Los Angeles County Assessor for Fiscal Years 2015-16 and 2016-17.

Assessed Valuation by Jurisdiction. The following Table 4 describes the percentage and value of the total assessed value of the property within the District’s boundaries that resides in the various cities and unincorporated portions of the County for Fiscal Year 2016-17.

TABLE 4
LOS ANGELES UNIFIED SCHOOL DISTRICT
2016-17 Assessed Valuation by Jurisdiction

Jurisdiction	Assessed Valuation in School District	% of School District	Assessed Valuation of Jurisdiction	% of Jurisdiction in School District
City of Los Angeles	\$532,576,415,712	87.89%	\$532,915,238,673	99.94%
Unincorporated Los Angeles County	22,755,055,688	3.76	98,268,176,262	23.16
City of Carson	12,413,690,644	2.05	14,126,791,657	87.87
City of West Hollywood	10,565,487,885	1.74	10,565,487,885	100.00
City of Gardena	5,686,952,300	0.94	5,686,952,300	100.00
City of Vernon	4,731,078,594	0.78	4,731,078,594	100.00
City of South Gate	4,437,813,621	0.73	5,405,089,248	82.10
City of Huntington Park	2,718,602,094	0.45	2,718,602,094	100.00
City of Lomita	2,149,593,978	0.35	2,149,593,978	100.00
City of San Fernando	1,791,249,290	0.30	1,791,249,290	100.00
City of Bell	1,391,532,139	0.23	1,753,256,909	79.37
City of Rancho Palos Verdes	1,117,099,643	0.18	11,734,105,201	9.52
City of Maywood	950,856,580	0.16	950,856,580	100.00
City of Cudahy	768,942,147	0.13	769,152,568	99.97
City of Hawthorne	655,606,188	0.11	7,276,798,609	9.01
City of Long Beach	382,618,368	0.06	52,225,391,062	0.73
City of Commerce	271,059,857	0.04	5,067,094,389	5.35
City of Monterey Park	233,264,917	0.04	6,934,068,876	3.36
City of Beverly Hills	157,824,477	0.03	29,274,947,299	0.54
City of Bell Gardens	54,384,270	0.01	1,655,163,167	3.29
City of Lynwood	51,688,531	0.01	3,048,202,530	1.70
City of Culver City	43,964,191	0.01	9,702,403,392	0.45
City of Inglewood	33,153,096	0.01	8,062,192,745	0.41
City of Torrance	23,246,556	0.00	27,595,554,474	0.08
City of Montebello	6,141,258	0.00	5,525,848,700	0.11
City of Santa Monica	975,416	0.00	33,159,981,350	0.00
City of Calabasas	659,390	0.00	7,806,223,210	0.01
City of Santa Clarita	49,559	0.00	28,685,821,032	0.00
City of Downey	597	0.00	10,585,082,660	0.00
Total District	\$605,969,006,986	100.00%		
Los Angeles County	\$605,969,006,986	100.00%	\$1,344,647,265,846	45.07%

Source: California Municipal Statistics Inc.

Assessed Valuation by Land Use. The following Table 5 sets forth the assessed valuation by land use of property within the District in Fiscal Year 2016-17.

TABLE 5
LOS ANGELES UNIFIED SCHOOL DISTRICT
Assessed Valuation and Parcels by Land Use
Fiscal Year 2016-17

	2016-17 Assessed Valuation⁽¹⁾	% of Total	No. of Parcels	% of Total
Non-Residential:				
Commercial/Office Building	\$ 96,207,632,207	16.55%	50,142	5.28%
Industrial	58,310,824,233	10.03	24,536	2.58
Recreational	2,346,265,570	0.40	989	0.10
Government/Social/Institutional	3,803,538,170	0.65	5,299	0.56
Miscellaneous	407,405,542	0.07	962	0.10
Subtotal Non-Residential	\$161,075,665,722	27.71%	81,928	8.63%
Residential:				
Single Family Residence	\$256,118,841,506	44.06%	569,517	59.97%
Condominium/Townhouse	54,333,597,143	9.35	132,131	13.91
Mobile Home Related	426,472,132	0.07	333	0.04
2-4 Residential Units	38,860,548,961	6.69	96,280	10.14
5+ Residential Units/Apartments	62,707,577,286	10.79	41,121	4.33
Miscellaneous Residential	44,741,654	0.01	217	0.02
Subtotal Residential	\$412,491,778,682	70.96%	839,599	88.41%
Vacant Parcels	\$7,735,401,420	1.33%	28,135	2.96%
Total	\$581,302,845,824	100.00%	949,662	100.00%

⁽¹⁾ Local Secured Assessed Valuation, excluding tax-exempt property. Excludes utility valuation of \$24,666,161,162.
Source: California Municipal Statistics, Inc.

Assessed Valuation of Single-Family Homes. The following Table 6 sets forth the distribution of single-family homes within the District within various assessed valuation ranges in Fiscal Year 2016-17.

TABLE 6
LOS ANGELES UNIFIED SCHOOL DISTRICT
Assessed Valuations of Single Family Homes Per Parcel
Fiscal Year 2016-17

	No. of Parcels	2016-17 Assessed Valuation	Average Assessed Valuation	Median Assessed Valuation
Single-Family Residential	569,517	\$256,118,841,506	\$449,712	\$299,128

2016-17 Assessed Valuation	No. of Parcels⁽¹⁾	% of Total	Cumulative % of Total	Total Valuation	% of Total	Cumulative % of Total
\$0 - \$49,999	3,142	0.552%	0.552%	\$58,739,690	0.023%	0.023%
\$50,000 - \$99,999	45,630	8.012	8.564	3,519,031,230	1.374	1.397
\$100,000 - \$149,999	48,186	8.461	17.025	6,153,304,014	2.403	3.799
\$150,000 - \$199,999	62,558	10.984	28.009	11,121,811,472	4.342	8.142
\$200,000 - \$249,999	67,867	11.917	39.926	15,283,376,932	5.967	14.109
\$250,000 - \$299,999	58,693	10.306	50.231	21,958,459,932	8.574	22.683
\$300,000 - \$349,999	53,244	9.349	59.580	17,487,246,384	6.828	29.511
\$350,000 - \$399,999	39,903	7.006	66.587	15,009,473,547	5.860	35.371
\$400,000 - \$449,999	29,321	5.148	71.735	12,647,290,819	4.938	40.309
\$450,000 - \$499,999	22,880	4.017	75.753	10,999,354,080	4.295	44.604
\$500,000 - \$549,999	21,421	3.761	79.514	11,308,702,846	4.415	49.019
\$550,000 - \$599,999	18,177	3.192	82.706	10,435,797,417	4.075	53.094
\$600,000 - \$649,999	13,242	2.325	85.031	8,420,071,362	3.288	56.381
\$650,000 - \$699,999	10,603	1.862	86.892	7,161,764,541	2.796	59.177
\$700,000 - \$749,999	8,650	1.519	88.411	6,311,308,150	2.464	61.642
\$750,000 - \$799,999	7,312	1.284	89.695	5,682,886,400	2.219	63.860
\$800,000 - \$849,999	5,968	1.048	90.743	4,949,656,288	1.933	65.793
\$850,000 - \$899,999	5,651	0.992	91.735	4,952,417,729	1.934	67.727
\$900,000 - \$949,999	4,832	0.848	92.584	4,487,777,984	1.752	69.479
\$950,000 - \$999,999	4,163	0.731	93.315	4,077,371,253	1.592	71.071
\$1,000,000 and greater	38,074	6.685	100.000	74,092,999,436	28.929	100.000
Total	569,517	100.000%		\$256,118,841,506	100.000%	

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

Largest Taxpayers in the District. The following Table 7 sets forth the twenty taxpayers with the greatest combined ownership of taxable property in the District on the Fiscal Year 2016-17 tax roll, and the assessed valuation of all property owned by those taxpayers in all taxing jurisdictions within the District.

TABLE 7
LOS ANGELES UNIFIED SCHOOL DISTRICT
Largest Local Secured Taxpayers⁽¹⁾
Fiscal Year 2016-17

	Property Owner	Primary Land Use	2016-17 Assessed Valuation	% of Total⁽²⁾
1.	Douglas Emmett LLC	Office Building	\$2,762,607,488	0.48%
2.	Universal Studios LLC	Motion Picture Studio	2,627,676,561	0.45
3.	Essex Portfolio LP	Apartments	1,432,627,587	0.25
4.	FSP South Flower Street Associates LLC	Office Building	882,130,583	0.15
5.	Rochelle H. Sterling	Apartments	828,892,242	0.14
6.	Anheuser Busch Inc.	Industrial	750,203,814	0.13
7.	One Hundred Towers LLC	Office Building	627,393,699	0.11
8.	Century City Mall LLC	Shopping Center	626,748,247	0.11
9.	Trizec 333 LA LLC	Office Building	616,101,720	0.11
10.	Maguire Partners 355 S. Grand LLC	Office Building	576,181,858	0.10
11.	Tishman Speyer Archstone Smith	Apartments	561,089,548	0.10
12.	Olympic and Georgia Partners LLC	Hotel	546,297,546	0.09
13.	Paramount Pictures Corp.	Industrial/Studio	522,377,487	0.09
14.	LA Live Properties LLC	Commercial	522,324,161	0.09
15.	Hines REIT West LA Portfolio LP	Office Building	521,083,615	0.09
16.	Westfield Topanga Owner LP	Shopping Center	510,725,307	0.09
17.	Palmer Flower Street Properties	Apartments	507,787,516	0.09
18.	Maguire Properties 555 W. Fifth	Office Building	505,490,491	0.09
19.	Taubman-Beverly Center	Shopping Center	496,501,820	0.09
20.	Realco Intermediary LLC	Stadium	487,017,699	0.08
			\$16,911,258,989	2.91%

⁽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⁾ 2016-17 Local Secured Assessed Valuation: \$581,302,845,824.
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 "situated" 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 operating purposes.

Typical Tax Rate Area. The following Table 8 shows *ad valorem* property tax rates for the last five fiscal years in a typical Tax Rate Area of the District (TRA 0067). TRA 0067 comprises approximately 29.95% of the total Fiscal Year 2016-17 assessed value of the District.

TABLE 8
LOS ANGELES UNIFIED SCHOOL DISTRICT
Typical Tax Rates per \$100 of Assessed Valuation⁽³⁾
(TRA 0067)
Fiscal Years 2012-13 through 2016-17

	2012-13	2013-14	2014-15	2015-16	2016-17
General	1.000000%	1.000000%	1.000000%	1.000000%	1.000000%
Los Angeles Unified School District ⁽¹⁾	0.175606	0.146439	0.146881	0.129709	0.131096
Los Angeles Community College District ⁽¹⁾	0.048750	0.044541	0.040174	0.035755	0.035956
City of Los Angeles ⁽¹⁾	0.037694	0.029754	0.028096	0.023030	0.021297
Metropolitan Water District of Southern California ⁽²⁾	0.003500	0.003500	0.003500	0.003500	0.003500
Total	1.265550%	1.224234%	1.218651%	1.191994%	1.191849%

⁽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⁾ 2016-17 assessed valuation of TRA 0067 is \$181,473,526,538 which is 29.95% of the District's total assessed valuation.

Source: California Municipal Statistics, Inc.

Secured Tax Charges and Delinquencies. The following Table 9 sets forth a recent history of real property tax collections and delinquencies in the District.

TABLE 9
LOS ANGELES UNIFIED SCHOOL DISTRICT
Secured Tax Charges and Delinquencies
Fiscal Years 2011-12 through 2015-16

1% General Fund Apportionment Levy

Fiscal Year	Secured Tax Charge⁽¹⁾	Amount Delinquent June 30	Percentage Delinquent June 30
2011-12	\$877,559,911.27	\$18,314,030.53	2.09%
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

District General Obligation Bond Debt Service Levy

Fiscal Year	Secured Tax Charge⁽²⁾	Amount Delinquent June 30	Percentage Delinquent June 30
2011-12	\$747,023,111.92	\$18,104,366.85	2.42%
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

⁽¹⁾ 1% General Fund apportionment. Excludes redevelopment agency impounds. Reflects countywide 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 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 2015-16 from the District at a purchase price equal to 110% of such receivables. Any penalty charges collected with respect to such delinquencies will be retained by CSDTFA.

Debt Service

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

TABLE 10
LOS ANGELES UNIFIED SCHOOL DISTRICT
(County of Los Angeles, California)
2017 General Obligation Refunding Bonds, Series A
(Dedicated Unlimited *Ad Valorem* Property Tax Bonds)
Annual Debt Schedule

Year Ending July 1,	Principal	Interest	Total Debt Service
2017	\$ 23,195,000	\$ 5,386,290	\$ 28,581,290
2018	1,595,000	52,703,150	54,298,150
2019	21,345,000	52,623,400	73,968,400
2020	--	51,556,150	51,556,150
2021	3,520,000	51,556,150	55,076,150
2022	170,950,000	51,415,350	222,365,350
2023	161,565,000	42,891,250	204,456,250
2024	190,480,000	34,864,300	225,344,300
2025	191,780,000	25,350,950	217,130,950
2026	209,305,000	15,806,750	225,111,750
2027	107,095,000	5,341,500	112,436,500
Total	\$1,080,830,000	\$389,495,240	\$1,470,325,240

Source: Los Angeles Unified School District.

Aggregate Fiscal Year Debt Service

The following Table 11 sets forth the semi-annual debt service obligations in each Fiscal Year for the Refunding Bonds and all of the District's outstanding general obligation bonds. See Appendix A – "DISTRICT FINANCIAL INFORMATION AND REGIONAL ECONOMIC AND DEMOGRAPHIC INFORMATION – District Financial Information – District Debt."

TABLE 11
LOS ANGELES UNIFIED SCHOOL DISTRICT
General Obligation Bonds, Semi-Annual Debt Service Schedule
(\$ in Millions)

Payment Date	Outstanding General Obligation Bonds ⁽¹⁾⁽²⁾	Refunding Bonds		Semi Annual Debt Service	Total ⁽³⁾
		Principal	Interest		
July 1, 2017	\$ 612.99	\$ 23.20	\$ 5.39	\$ 28.58	\$ 641.57
January 1, 2018	217.12	--	26.35	26.35	243.47
July 1, 2018	643.91	1.60	26.35	27.95	671.86
January 1, 2019	207.22	--	26.31	26.31	233.53
July 1, 2019	628.68	21.35	26.31	47.66	676.34
January 1, 2020	198.33	--	25.78	25.78	224.10
July 1, 2020	670.69	--	25.78	25.78	696.47
January 1, 2021	186.94	--	25.78	25.78	212.72
July 1, 2021	686.45	3.52	25.78	29.30	715.75
January 1, 2022	176.46	--	25.71	25.71	202.16
July 1, 2022	545.01	170.95	25.71	196.66	741.66
January 1, 2023	169.41	--	21.45	21.45	190.85
July 1, 2023	565.37	161.57	21.45	183.01	748.38
January 1, 2024	161.57	--	17.43	17.43	179.00
July 1, 2024	554.47	190.48	17.43	207.91	762.38
January 1, 2025	153.80	--	12.68	12.68	166.48
July 1, 2025	526.79	191.78	12.68	204.46	731.25
January 1, 2026	145.40	--	7.90	7.90	153.30
July 1, 2026	502.84	209.31	7.90	217.21	720.04
January 1, 2027	135.69	--	2.67	2.67	138.36
July 1, 2027	553.69	107.10	2.67	109.77	663.45
January 1, 2028	125.58	--	--	--	125.58
July 1, 2028	553.77	--	--	--	553.77
January 1, 2029	105.55	--	--	--	105.55
July 1, 2029	580.74	--	--	--	580.74
January 1, 2030	93.43	--	--	--	93.43
July 1, 2030	608.82	--	--	--	608.82
January 1, 2031	78.92	--	--	--	78.92
July 1, 2031	640.14	--	--	--	640.14
January 1, 2032	63.54	--	--	--	63.54
July 1, 2032	672.59	--	--	--	672.59
January 1, 2033	46.11	--	--	--	46.11
July 1, 2033	673.83	--	--	--	673.83
January 1, 2034	60.02	--	--	--	60.02
July 1, 2034	733.80	--	--	--	733.80
January 1, 2035	4.95	--	--	--	4.95
July 1, 2035	39.71	--	--	--	39.71
January 1, 2036	4.26	--	--	--	4.26
July 1, 2036	40.40	--	--	--	40.40
January 1, 2037	3.63	--	--	--	3.63
July 1, 2037	41.04	--	--	--	41.04
January 1, 2038	2.79	--	--	--	2.79
July 1, 2038	41.88	--	--	--	41.88
January 1, 2039	1.90	--	--	--	1.90
July 1, 2039	42.76	--	--	--	42.76
January 1, 2040	0.97	--	--	--	0.97
July 1, 2040	43.69	--	--	--	43.69
TOTAL⁽³⁾	\$13,547.61	\$1,080.83	\$389.50	\$1,470.33	\$15,017.94

⁽¹⁾ Excludes the Prior Bonds and the Refunding Bonds.

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

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

Source: Los Angeles Unified School District.

The District's General Obligation Bond Program and Bonding Capacity

Voters within the District have approved a total of \$20.605 billion of general obligation bonds in five separate bond elections since 1997. See Appendix A – “DISTRICT FINANCIAL INFORMATION AND REGIONAL ECONOMIC AND DEMOGRAPHIC INFORMATION – DISTRICT FINANCIAL INFORMATION – District Debt” attached hereto for additional information regarding the District’s outstanding general obligation bonds. Pursuant to Section 15106 of the Education Code, the District’s bonding capacity for general obligation bonds may not exceed 2.5% of taxable property value in the District as shown by the last equalized assessment of the County. The taxable property valuation in the District for Fiscal Year 2016-17 is approximately \$606.0 billion, which results in a total current bonding capacity of approximately \$15.1 billion. The District’s available capacity for the issuance of new general obligation bonds is approximately \$5.1 billion (taking into account the current outstanding debt before the issuance of the Refunding Bonds). The issuance of additional series of general obligation bonds, other than general obligation refunding bonds, in future years will depend upon, among other things, the assessed valuation of property within the District’s boundaries, as determined by the District’s analysis of information from, among other sources, the Office of the County Assessor. See “SECURITY AND SOURCE OF PAYMENT FOR THE REFUNDING BONDS – California Constitutional and Statutory Provisions Relating to *Ad Valorem* Property Taxes.”

Overlapping Debt Obligations

Set forth in Table 12 on the following page is the report prepared by California Municipal Statistics Inc. prepared on March 13, 2017, which provides information with respect to direct and overlapping debt within the District as of April 1, 2017 (the “Overlapping Debt Report”). The Overlapping Debt Report is included for general information purposes only. The District has not reviewed the Overlapping Debt Report for completeness or accuracy and makes no representations in connection therewith. The Overlapping Debt Report generally includes long-term obligations sold in the public credit markets by public agencies whose boundaries overlap the boundaries of the District. Such long-term obligations generally are not payable from revenues of the District (except as indicated) nor are they necessarily obligations secured by land within the District. In many cases, long-term obligations issued by a public agency are payable only from the general fund or other revenues of such public agency.

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

TABLE 12
LOS ANGELES UNIFIED SCHOOL DISTRICT
Schedule of Direct and Overlapping Bonded Debt
As of March 13, 2017

2016-17 Assessed Valuation: \$605,969,006,986

<u>DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:</u>	<u>% Applicable</u>	<u>Debt 4/1/17</u>
Los Angeles County Flood Control District	45.956%	\$ 4,623,174
Metropolitan Water District	23.347	17,488,070
Los Angeles Community College District	81.129	3,121,746,565
Pasadena Area Community College District	0.001	806
Los Angeles Unified School District	100.000	10,005,485,000 ⁽¹⁾
City of Los Angeles	99.936	719,973,922
Other Cities	Various	23,461,379
City Community Facilities Districts	100.000	85,335,000
Other City and Special District 1915 Act Bonds	99.899 -100.000	20,849,839
Los Angeles County Regional Park & Open Space Assessment District	45.065	17,528,032
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		\$14,016,491,787
<u>DIRECT AND OVERLAPPING GENERAL FUND DEBT:</u>		
Los Angeles County General Fund Obligations	45.065%	\$ 884,860,768
Los Angeles County Superintendent of Schools Certificates of Participation	45.065	3,246,928
Los Angeles Unified School District Certificates of Participation	100.000	239,440,000
City of Los Angeles General Fund and Judgment Obligations	99.936	1,491,147,207
Other City General Fund and Pension Obligation Bonds	Various	239,681,582
Los Angeles County Sanitation District Nos. 1, 2, 4, 5, 8, 9, 16 & 23 Authorities	Various	19,814,434
TOTAL GROSS DIRECT AND OVERLAPPING GENERAL FUND DEBT		\$2,878,190,919
Less: Los Angeles Unified School District Qualified Zone Academy Bonds:		
Amount accumulated in Sinking Fund for repayment of 2005 QZAB		5,852,571
Los Angeles Unified School District 2007 Certificates of Participation		7,673,614
portion economically defeased		
City supported obligations		435,559
TOTAL NET DIRECT AND OVERLAPPING GENERAL FUND DEBT		\$2,864,229,175
<u>OVERLAPPING TAX INCREMENT DEBT:</u>		
City of Los Angeles Redevelopment Agency (Successor Agency)	100.000%	\$472,155,000
Other Redevelopment Agencies (Successor Agency)	Various	421,316,728
TOTAL OVERLAPPING TAX INCREMENT DEBT		\$893,471,728
GROSS COMBINED TOTAL DEBT		\$17,788,154,434⁽²⁾
NET COMBINED TOTAL DEBT		\$17,774,192,690

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

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

Ratios to 2016-17 Assessed Valuation:

Direct Debt (\$10,005,485,000)	1.65%
Total Overlapping Tax and Assessment Debt	2.31%
Gross Combined Direct Debt (\$10,244,925,000)	1.69%
Net Combined Direct Debt (\$10,231,398,815)	1.69%
Gross Combined Total Debt	2.94%
Net Combined Total Debt	2.93%

Ratios to Redevelopment Incremental Valuation (\$60,914,106,597):

Total Overlapping Tax Increment Debt	1.47%
--	-------

Source: California Municipal Statistics, Inc.

TAX MATTERS

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

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

Bond Counsel expresses no opinion regarding any other Federal or state tax consequences with respect to the Refunding Bonds. Bond Counsel renders its opinion under existing statutes and court decisions as of the issue date, and assumes no obligation to update, revise or supplement its opinion to reflect any action hereafter taken or not taken, or any facts or circumstances that may hereafter come to its attention, or changes in law or in interpretations thereof that may hereafter occur, or for any other reason. Bond Counsel expresses no opinion on the effect of any action hereafter taken or not taken in reliance upon an opinion of other counsel on the exclusion from gross income for Federal income tax purposes of interest on the Refunding Bonds, or under state and local tax law.

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

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

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

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

Information Reporting and Backup Withholding. Information reporting requirements apply to interest paid on tax-exempt obligations, including the Refunding Bonds. In general, such requirements are satisfied if the interest recipient completes, and provides the payor with, a Form W-9, “Request for Taxpayer Identification Number and Certification,” or if the recipient is one of a limited class of exempt recipients. A recipient not otherwise exempt from information reporting who fails to satisfy the information reporting requirements will be subject to “backup withholding,” which means that the payor is required to deduct and withhold a tax from the

interest payment, calculated in the manner set forth in the Code. For the foregoing purpose, a “payor” generally refers to the person or entity from whom a recipient receives its payments of interest or who collects such payments on behalf of the recipient.

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

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

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

LEGAL MATTERS

Possible Limitations on Remedies; Bankruptcy

General. State law contains certain safeguards to protect the financial solvency of school districts. See Appendix A – “DISTRICT FINANCIAL INFORMATION AND REGIONAL ECONOMIC AND DEMOGRAPHIC INFORMATION – STATE FUNDING OF SCHOOL DISTRICTS – 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 Refunding Bonds and other transaction documents related to the Refunding Bonds, as long as the bankruptcy court determines that the alterations are fair and equitable. In addition, in such a proceeding, as part of such a plan, the District may be able to eliminate the obligation of the County to raise taxes if necessary to pay the Refunding Bonds. There also may be other possible effects of a bankruptcy of the District that could result in delays or reductions in payments on the Refunding Bonds. Moreover, regardless of any specific adverse determinations in any District bankruptcy proceeding, the fact of a District bankruptcy proceeding could have an adverse effect on the liquidity and market price of the Refunding Bonds.

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

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

Special Revenues. If the *ad valorem* tax revenues that are pledged to the payment of the Refunding Bonds (see "SECURITY AND SOURCE OF PAYMENT FOR THE REFUNDING BONDS – Pledge of Tax Revenues") are determined to be "special revenues" within the meaning of the Bankruptcy Code, then the application in a manner consistent with the Bankruptcy Code of the pledged *ad valorem* revenues that are collected after the date of the bankruptcy filing should not be subject to the automatic stay. "Special revenues" are defined to include, among others, taxes specifically levied to finance one or more projects or systems of the debtor, but excluding receipts from general property, sales, or income taxes levied to finance the general purposes of the debtor. The District has specifically pledged the *ad valorem* taxes for

payment of the Refunding Bonds. Additionally, the *ad valorem* taxes levied for payment of the Refunding Bonds are permitted under the State Constitution only where either (i) the applicable bond proposition is approved by 55% of the voters and such proposition contains a specific list of school facilities projects under Proposition 39, or (ii) if the applicable bond proposition is approved by two-thirds of voters under Proposition 46, such bonds must be issued for the acquisition or improvement of real property. State law prohibits the use of the tax proceeds for any purpose other than payment of the general obligation bonds (including general obligation refunding bonds) and the original bond proceeds can only be used to fund the acquisition or improvement of real property and other capital expenditures included in the proposition so such tax revenues appear to fit the definition of special revenues. However, there is no binding judicial precedent dealing with the treatment in bankruptcy proceedings of *ad valorem* tax revenues collected for the payments of bonds in California, so no assurance can be given that a bankruptcy court would not hold otherwise.

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

Possession of Tax Revenues; Remedies. If the 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 Refunding Bonds, it is not entirely clear what procedures the owners of the Refunding Bonds would have to follow to attempt to obtain possession of such tax revenues, how much time it would take for such procedures to be completed, or whether such procedures would ultimately be successful.

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

Amounts Held in County Treasury Pool

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

Legality for Investment in the State

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

Continuing Disclosure

The District has covenanted for the benefit of the holders and beneficial owners of the Refunding Bonds to provide certain financial information and operating data relating to the District (the “Annual Report”) for each fiscal year by not later than 240 days following the end of the District’s fiscal year (currently ending June 30), commencing with the Annual Report for Fiscal Year 2016-17, and to provide notices of the occurrence of certain specified events (collectively, the “Listed Events”). The information to be contained in the Annual Report and in a notice of a Listed Event is set forth in Appendix E – “FORM OF CONTINUING DISCLOSURE CERTIFICATE.” The District will provide or cause to be provided the Annual Report and such notices to the Municipal Securities Rulemaking Board through its Electronic Municipal Market Access system in the manner prescribed by the Securities and Exchange Commission (“SEC”). Copies of the District’s annual reports and notices of Listed Event filings are available at the website of Digital Assurance Certification, L.L.C. (“DAC”), www.dacbond.com, and at the website of the Municipal Securities Rulemaking Board’s Electronic Municipal Market Access system, emma.msrb.org. The information presented on these websites is not incorporated by reference in this Official Statement and should not be relied upon in making an investment decision with respect to the Refunding Bonds. These covenants have been made in order to assist the Underwriters (defined herein) in complying with SEC Rule 15c2-12(b)(5) (the “Rule”).

Certain Legal Matters

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

FINANCIAL STATEMENTS

The District's Comprehensive Annual Financial Report for Fiscal Year Ended June 30, 2016, 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 2015-16 have been audited by Simpson & Simpson, independent certified public accountants, as stated in their report appearing in Appendix B. The District has not requested nor has the District obtained the consent of Simpson & Simpson to the inclusion of its report in Appendix B. Simpson & Simpson has not been engaged to perform and has not performed, since the date of its report included herein, any procedures on the financial statements addressed in that report. Simpson & Simpson has not been requested to perform and has not performed any procedures relating to the Official Statement.

LITIGATION

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

MISCELLANEOUS

Ratings

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

Municipal Advisor

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

Verification of Mathematical Computations

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

Underwriting

The Refunding Bonds are being purchased by Morgan Stanley & Co. LLC and J.P. Morgan Securities LLC (“JPMS”) on behalf of a syndicate that also includes Merrill Lynch, Pierce, Fenner & Smith Incorporated, Goldman Sachs & Co., Blaylock Van, LLC, Fidelity Capital Markets, a Division of National Financial Services LLC, Raymond James & Associates, Inc. and Cabrera Capital Markets, LLC (collectively, the “Underwriters”). The Underwriters

have agreed to purchase the Refunding Bonds at the purchase price of \$1,300,439,840.78 (which amount is equal to the aggregate principal amount of the Refunding Bonds, plus an original issue premium of \$220,817,551.45 and less an Underwriters' discount of \$1,207,710.67) pursuant to a bond purchase agreement relating to the Refunding Bonds.

Pursuant to the bond purchase agreement, the Underwriters will purchase all of the Refunding Bonds if any are purchased. The Underwriters may offer and sell the Refunding 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.

Morgan Stanley & Co. LLC, one of the Underwriters of the Refunding Bonds, has entered into a retail distribution arrangement with its affiliate Morgan Stanley Smith Barney LLC. As part of this arrangement, Morgan Stanley & Co. LLC may distribute municipal securities to retail investors through the financial advisor network of Morgan Stanley Smith Barney LLC. As part of this arrangement, Morgan Stanley & Co. LLC may compensate Morgan Stanley Smith Barney LLC for its selling efforts with respect to the Refunding Bonds.

JPMS, one of the Underwriters of the Refunding Bonds, has entered into negotiated dealer agreements (each, a "JPMS Dealer Agreement") with each of Charles Schwab & Co., Inc. ("CS&Co.") and LPL Financial LLC ("LPL") for the retail distribution of certain securities offerings at the original issue prices. Pursuant to each JPMS Dealer Agreement (if applicable to this transaction), each of CS&Co. and LPL will purchase Refunding Bonds from JPMS at the original issue price less a negotiated portion of the selling concession applicable to any Refunding Bonds that such firm sells.

Blaylock Van, LLC ("Blaylock Van" or "BV") has entered into a distribution agreement (the "BV Distribution Agreement") with TD Ameritrade, Inc. ("TD") for the retail distribution of certain municipal securities offerings underwritten by or allocated to Blaylock Van, including the Refunding Bonds. Under the BV Distribution Agreement, Blaylock Van will share with TD a portion of the underwriting compensation paid to BV.

Additional Information

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

Execution and Delivery

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

LOS ANGELES UNIFIED SCHOOL DISTRICT

By: /s/ John F. Walsh
 John F. Walsh
 Deputy Chief Financial Officer

[THIS PAGE INTENTIONALLY LEFT BLANK]

APPENDIX A

DISTRICT FINANCIAL INFORMATION AND REGIONAL ECONOMIC AND DEMOGRAPHIC INFORMATION

[THIS PAGE INTENTIONALLY LEFT BLANK]

TABLE OF CONTENTS

	Page
DISTRICT GENERAL INFORMATION	A-1
District Boundaries.....	A-1
District Governance; Senior Management	A-1
School Facilities	A-3
Average Daily Attendance	A-3
STATE FUNDING OF SCHOOL DISTRICTS	A-5
General	A-5
Local Control Funding Formula.....	A-5
AB 1200 Budget Requirements; County and State Oversight; Reports and Certifications ..	A-11
Charter School Funding	A-12
Proposition 98	A-13
DISTRICT FINANCIAL INFORMATION	A-13
District Financial Policies	A-13
District Budget	A-16
Significant Accounting Policies, System of Accounts and Audited Financial Statements ..	A-26
Employees and Labor Relations	A-27
Retirement Systems.....	A-29
Other Postemployment Benefits	A-40
Risk Management and Litigation	A-44
District Debt.....	A-52
Future Financings.....	A-58
STATE BUDGET	A-59
General	A-59
The State Budget Process.....	A-60
State Budget Act	A-60
Limitations on School District Reserves.....	A-68
State Funding of Schools Without a State Budget	A-68

TABLE OF CONTENTS

(continued)

	Page
CALIFORNIA CONSTITUTIONAL AND STATUTORY PROVISIONS RELATING TO <i>AD VALOREM</i> PROPERTY TAXES, DISTRICT REVENUES AND APPROPRIATIONS	A-69
Constitutionally Required Funding of Education	A-69
Article XIII A of the State Constitution	A-69
Legislation Implementing Article XIII A	A-69
Article XIII B of the State Constitution	A-70
Article XIII C and Article XIII D of the State Constitution	A-71
Proposition 98	A-72
Proposition 39	A-72
Proposition 1A	A-73
Proposition 22	A-73
Proposition 30	A-74
State School Facilities Bonds	A-75
Future Initiatives	A-77
REGIONAL ECONOMIC AND DEMOGRAPHIC INFORMATION	A-78
Population	A-78
Income	A-78
Employment	A-79
Leading County Employers	A-81
Construction	A-82
GLOSSARY OF CERTAIN TERMS AND ABBREVIATIONS	A-84

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 Refunding Bonds are general obligation bonds of the District, secured and payable from ad valorem property taxes assessed on taxable properties within the District and are not an obligation of the County (defined herein) or of the general fund of the District. See “SECURITY AND SOURCE OF PAYMENT FOR THE REFUNDING BONDS” in the forepart of this Official Statement. See also “GLOSSARY OF CERTAIN TERMS AND ABBREVIATIONS” herein for a description of certain terms and abbreviations used in this Appendix A.

DISTRICT GENERAL INFORMATION

District Boundaries

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

District Governance; Senior Management

The District is governed by a seven-member Board of Education (the “District Board”) elected by voters within the District to serve alternating four-year terms. The terms of Board members were extended to five years for members elected in 2015 and thereafter. Steve Zimmer (District 4) serves as President of the District Board, and George McKenna (District 1) serves as Vice President of the District Board. In addition, Mónica García (District 2), Scott Schmerelson (District 3), Ref Rodriguez (District 5), Mónica Ratliff (District 6), and Richard Vladovic (District 7) serve on the District Board. The terms of Steve Zimmer and Mónica Ratliff will end on June 30, 2017. At the annual meeting of the District Board in July 2017, the District will induct Nick Melvoin and Kelly Gonez as the Board members for District 4 and District 6, respectively.

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”). Michelle King currently serves as the Superintendent. 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), Vivian K. Ekchian (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. In January 2016, the District Board appointed Michelle King, formerly the Chief Deputy Superintendent for the District, to serve as the successor to former Superintendent Ramon Cortines. In her capacity as Chief Deputy Superintendent, Ms. 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. Ms. 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. Ms. King began her 31-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. Ms. 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. Ms. King holds 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.

_____ , Chief Financial Officer. The District is currently recruiting a new Chief Financial Officer. The District expects to appoint the new Chief Financial Officer to serve as the successor to former Chief Financial Officer Megan Reilly prior to the end of Fiscal Year 2016-17.

John F. Walsh, Deputy Chief Financial Officer. Mr. Walsh began serving as the District's Interim Director of Finance Policy in April 2012 and became the Deputy Chief Financial Officer in May 2014. Mr. Walsh served as Assistant General Counsel to the District from January 2002 to March 2012. Prior to joining the District, Mr. Walsh was an attorney with Best, Best & Krieger LLP and Crowell & Moring LLP. Mr. Walsh graduated from Queen's University with honors with a Bachelor of Arts degree in History and Politics, graduated from American University with a Master of Arts degree in History, and graduated from Claremont Graduate School with a Doctor of Philosophy degree in History. Mr. Walsh graduated from Loyola Law School *cum laude* with a Juris Doctorate.

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 and the Association of Public Treasurers of the United States and Canada.

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 the Los Angeles County Office of Education. 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, the Association of Public Treasurers of the United States and Canada, 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 2016-17 consists of 625,434 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, 2016, the District operated 1,041 schools and centers, which consisted of 451 elementary schools, 83 middle/junior high schools, 97 senior high schools, 54 options schools, 156 magnet centers, 43 magnet schools, 23 multi-level schools, 15 special education schools, 2 community adult schools, 6 regional occupational centers, 2 skills centers, 1 regional occupational program, 86 early education centers, 4 infant centers, and 18 primary school centers. As of June 30, 2016, 53 of the District's schools were operated as locally funded, affiliated charter schools ("Affiliated Charter Schools"). In addition, as of June 30, 2016, the District oversaw 221 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 2016-17 Second Interim Report (defined herein) projects that enrollment in the District, excluding the Fiscally Independent Charter Schools within the District's boundaries, will decline by 2.7% in Fiscal Year 2016-17 compared to Fiscal Year 2015-16. 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 2015-16 and is expected to decline further for Fiscal Year 2016-17. The following Table A-1 sets forth the District's annual ADA for Fiscal Year 2007-08 through 2016-17.

TABLE A-1

LOS ANGELES UNIFIED SCHOOL DISTRICT
Annual Average Daily Attendance
Fiscal Years 2007-08 through 2016-17

Fiscal Year	K-12⁽¹⁾	Affiliated Charter Schools⁽²⁾	Adult Education⁽³⁾	Total
2007-08	599,799	6,482	93,792	700,073
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	447,369	41,129	--	488,498

⁽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 Year 2015-16 for Fiscal Years 2007-08 through 2015-16 and the District for Fiscal Year 2016-17.

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 which 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.

Historically, school districts in the State received most of their revenues under a formula known as the "revenue limit." Beginning Fiscal Year 2013-14, the State replaced the former revenue limit formula for State Aid (defined herein) to school districts with the Local Control Funding Formula (the "LCFF"). Accordingly, under current law, the amount of funds a district receives from State revenues depends on the amount of revenues the State calculates that the school district should receive based on 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 2015-16, approximately 73.9% of the District's General Fund revenues and other financing sources were pursuant to the LCFF. During Fiscal Year 2016-17, the District projects that approximately 75.6% 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 revenue limit formula and LCFF, federal revenues, other State revenues and other local revenues for Fiscal Years 2012-13 through 2016-17.

TABLE A-2
LOS ANGELES UNIFIED SCHOOL DISTRICT
General Fund Revenue Sources
Percentage of Total District General Fund Revenues⁽¹⁾
Fiscal Years 2012-13 through 2016-17

Revenue Source	Fiscal Year 2012-13	Fiscal Year 2013-14	Fiscal Year 2014-15	Fiscal Year 2015-16	Fiscal Year 2016-17⁽²⁾
Revenue Limit Sources/LCFF ⁽³⁾	51.4%	74.3%	73.9%	73.9%	75.6%
Federal Revenues	11.1	9.5	10.1	8.2	8.6
Other State Revenues	35.3	14.0	14.1	16.0	13.9
Other Local Revenues	2.2	2.1	2.0	2.0	1.8

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

⁽²⁾ Estimated.

⁽³⁾ Beginning Fiscal Year 2013-14, the State replaced the former revenue limit formula for State Aid to school districts with the LCFF.

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

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

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

The Base Grants are based on four uniform, grade-span base rates. For Fiscal Year 2016-17, the LCFF provided to school districts and charter schools: (a) a Target Base Grant for each LEA equivalent to \$7,820 per ADA for kindergarten through grade 3; (b) a Target Base Grant for each LEA equivalent to \$7,189 per ADA for grades 4 through 6; (c) a Target Base Grant for each LEA equivalent to \$7,403 per ADA for grades 7 and 8; (d) a Target Base Grant for each LEA equivalent to \$8,801 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, 2021. 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 consists of funding, which the State adds on to LCFF funding for school districts and charter schools. The Economic Recovery Target may be available if the school district or charter school would have generated greater revenues if the revenue limit’s deficit factor were retired and categorical funding had been restored than under the LCFF. Under the LCFF, only school districts and charter schools that were at, or below, the 90th percentile of per-pupil funding rates of school districts under the prior revenue limit 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 such determination, the District is not entitled to receive Economic Recovery Target funding. However, the District estimates that the Affiliated Charter Schools received, collectively, \$371,366 in Fiscal Year 2015-16 and will receive, collectively, \$495,156 in Fiscal Years 2016-17 in connection with the Economic Recovery Target.

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 2016-17 Second Interim Report projects that approximately 84.05% of students attending non-charter schools of the District will be classified as Unduplicated Pupils under the LCFF during Fiscal Year 2016-17. 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 2015-16 and the estimated transition entitlement from the LCFF for Fiscal Year 2016-17 subsequent to the application of LCFF Gap Funding (defined herein) for the District and the Affiliated Charter Schools. See “ – LCFF 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 2020-21. 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⁽¹⁾
Fiscal Years 2015-16 and 2016-17**

	Fiscal Year 2015-16		Fiscal Year 2016-17	
	District	Affiliated Charter Schools	District	Affiliated Charter Schools
Target Entitlement ⁽¹⁾	\$5,443,184,964	\$338,818,522	\$5,293,820,807	\$358,217,537
Transition Entitlement	\$4,970,146,051	\$312,675,849	\$5,098,854,228	\$345,254,934
Target Funding less Estimated Transition Entitlement	\$475,404,034	\$26,142,673	\$194,966,579	\$12,962,603
LCFF Gap Funding	52.56%		55.28%	

⁽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: Los Angeles Unified School District Comprehensive Annual Financial Report for Fiscal Year 2015-16 and Fiscal Year 2016-17 Second Interim Report.

The following Table A-4 sets forth the District's revenue limit per ADA for Fiscal Years 2007-08 through 2012-13 under the prior revenue limit funding formula and the Base Grant per ADA for Fiscal Years 2013-14 through 2017-18 under the LCFF. The differences between the amounts per ADA in the two funding formulas are partially attributable to certain categorical programs that were not included in the prior revenue limit formula which are currently included in the Base Grants under LCFF.

TABLE A-4
LOS ANGELES UNIFIED SCHOOL DISTRICT
Base Revenue Limit per Average Daily Attendance
Fiscal Years 2008-09 through 2012-13 and
Base Grant Per Average Daily Attendance
Fiscal Years 2013-14 through 2017-18

<u>Fiscal Year</u>	<u>K-12</u>	<u>Local Control Funding Formula⁽²⁾</u>			
	<u>Base Revenue Limit⁽¹⁾</u>	<u>Grades K-3</u>	<u>Grades 4-6</u>	<u>Grades 7-8</u>	<u>Grades 9-12</u>
2008-09	\$5,645.07	--	--	--	--
2009-10	4,962.13	--	--	--	--
2010-11	5,264.22	--	--	--	--
2011-12	5,209.39	--	--	--	--
2012-13	5,266.00	--	--	--	--
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 ⁽³⁾	--	7,626	7,011	7,220	8,583

(1) Reflects the K-12 Base Revenue Limit subsequent to the application of the deficit factor.

(2) Beginning Fiscal Year 2013-14, the State has replaced the former revenue limit formula for State Aid to school districts with the LCFF. See “State Funding of School Districts – Local Control Funding Formula” herein.

(3) Projected. Base Grant amount reflects proposed amounts set forth in the Governor’s Proposed 2017-18 State Budget.

Sources: Los Angeles Unified School District Comprehensive Annual Financial Report Fiscal Year 2015-16 for Fiscal Years 2007-08 through 2015-16; Fiscal Year 2016-17 Second Interim Report; and Proposed 2017-18 State Budget.

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 2020-21.

In connection with the 2016-17 State Budget, the State Department of Education and Department of Finance released updated LCFF Gap Funding percentages which the District reflected in the Fiscal Year 2016-17 Final Adopted Budget. The 2016-17 State Budget allocates approximately \$2.9 billion of additional funding for the Local Control Fund Formula in Fiscal Year 2016-17 which is expected to bring the implementation of the Local Control Funding Formula to 96%. See “State Budget – State Budget Act – 2016-17 State Budget” herein.

The following Table A-5 sets forth the LCFF Gap Funding percentages estimated by the Department of Finance for Fiscal Years 2013-14 through 2019-20 and the statutory cost of living adjustment (“COLA”) for Fiscal Years 2013-14 through 2016-17. See “State Budget – State Budget Act – State Budget Act for Fiscal Year 2016-17” and “– 2017-18 Proposed State Budget” herein.

TABLE A-5

**LOS ANGELES UNIFIED SCHOOL DISTRICT
Estimated LCFF Gap Funding and Cost of Living Adjustment
Fiscal Years 2013-14 through 2019-20**

	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
LCFF Gap Funding⁽¹⁾	12.00%	30.16%	52.56%	54.18%	72.99%	40.36%	73.98%
Annual COLA⁽¹⁾	1.57%	0.85%	1.02%	0.00%	1.11%	2.42%	2.67%

⁽¹⁾ Based on the Fiscal Year 2016-17 Second Interim Report, the District projects that the LCFF Gap Funding percentages will be 55.28% for Fiscal Year 2016-17, 23.67% for Fiscal Year 2017-18, and 53.85% for Fiscal Year 2018-19. The District's projections differ from those provided by the Department of Finance in the 2017-18 Proposed State Budget set forth above and the 2017-18 May Revision. However, the District plans to incorporate the Department of Finance's June 2017 projections with respect to LCFF Gap Funding into the District's Fiscal Year 2016-17 June Report (defined herein) and the District's Final Budget for Fiscal Year 2017-18 upon their release.

Sources: Los Angeles Unified School District Comprehensive Annual Financial Reports for Fiscal Years 2013-14, 2014-15 and 2015-16 and Department of Finance.

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 21, 2016, the District Board adopted the LCAP for the District for Fiscal Year 2016-17 and submitted the LCAP to the Los Angeles County Office of Education ("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 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.

In the last five years, the District submitted each of its First Interim Reports and Second Interim Reports with qualified certifications. LACOE concurred with each qualified certification. In March 2017, the District Board approved an interim report for Fiscal Year 2016-17 with a qualified certification (the “Fiscal Year 2016-17 Second Interim Report”) for the period ending January 31, 2017 and submitted the report to LACOE for review. See “District Financial Information – District Budget – District Budget and Interim Financial Estimates” herein. On March 30, 2017, LACOE issued a letter relating to its review of the District’s projections set forth in the Fiscal Year 2016-17 Second Interim Report. LACOE advised the District to monitor and address issues related to deficit spending and declining enrollment. In addition, LACOE advised the District to allocate reductions to its expenditures in its budget for Fiscal Year 2017-18 in order to ensure the District would meet its reserve requirements. See “District Financial Information – District Budget – Second Interim Financial Report for Fiscal Year 2016-17” and “District Financial Information – District Budget – Second Interim Report Fiscal Stabilization Plan” herein.

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 none of the District, its counsel (including Bond Counsel and Disclosure Counsel), the Underwriters, or the Municipal Advisor make any representation as to the accuracy of the information provided therein. In addition, such information may be obtained upon request from the District’s Office of the Chief Financial Officer located at 333 South Beaudry Avenue, 26th Floor, Los Angeles, California 90017. The District may impose a fee for copying, mailing and handling.

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 53 Affiliated Charter Schools and oversees 221 Fiscally Independent Charter Schools within the District boundaries. The annual ADA for the District’s Affiliated Charter Schools is estimated to be 41,129 in Fiscal Year 2016-17. The District projects the annual ADA of Fiscally Independent Charter Schools for Fiscal Year 2016-17 will be approximately 106,656. 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 XIII B 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" herein. Proposition 98 also contains provisions transferring certain State tax revenues in excess of the revenue limit, which formula was replaced with the LCFF beginning with Fiscal Year 2013-14, to K-14 schools under Article XIII B of the State Constitution. See "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 2017-18 May Revision (defined herein) projects that, as of July 1, 2017, the State's outstanding settle-up obligation will be approximately \$1.04 billion. The 2017-18 May Revision projects that the State will fully fund the Proposition 98 minimum guarantee in Fiscal Years 2016-17 and 2017-18. In addition, the 2017-18 May Revision proposes a settle-up payment of approximately \$603 million in Fiscal Year 2017-18. Assuming such payment is made, the State will have outstanding approximately \$397 million in Proposition 98 settle-up payments owed to K-14 schools' resulting from the suspension of the Proposition 98 minimum guarantee in previous years. See "State Budget – State Budget Act – State Budget Act for Fiscal Year 2016-17" and "– May Revision to the 2017-18 Proposed State Budget" 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 adopted the current Budget and Finance Policy in June 2016 that requires the District to create and fund 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, and unrestricted 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 2016-17 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 2016-17 Second 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 2016-17 and 2017-18. However, the District expects that it will need to further reduce its expenditures and/or obtain additional revenues in Fiscal Year 2018-19 to maintain the 5% Minimum Reserve Threshold. See "District Financial Information – District Budget – Fiscal Year 2016-17 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 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 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.

The Health and Welfare Fund is used to pay all health and welfare payments for active employees and retirees. The District determines funding of the Health and Welfare Fund based on the 2015-2017 Health Benefits Agreement (defined herein) for each of the applicable years. As of June 30, 2016, the total net position of the Health and Welfare Fund was approximately \$311.2 million. See “District Financial Information – Employees and Labor Relations – Labor Agreements” herein.

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 June 30, 2016, the District’s maximum fiscal year COPs debt service is approximately \$43.2 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, 2016, the maximum fiscal year COPs debt service was approximately 0.65% of the District General Fund expenditures during Fiscal Year 2015-16.

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 May 1, 2017, the District had outstanding COPs in the aggregate principal amount of approximately \$235.5 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://tcc.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 Advisor 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. See "District Financial Information – District Budget – Interim Reporting Requirements" herein. 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 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 2016-17 District Budget. The District Board adopted its budget for Fiscal Year 2016-17 on June 21, 2016 (the "Fiscal Year 2016-17 District Final Adopted Budget") and submitted the Fiscal Year 2016-17 District Final Adopted Budget to LACOE in a timely manner for review. The Fiscal Year 2016-17 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 \$183.4 million from Fiscal Year 2015-16. In addition, the District Board approved the LCAP on June 21, 2016. See "State Funding of School Districts – Local Control Funding Formula – General" and "– Local Control Accountability Plan" herein.

The Fiscal Year 2016-17 District Final Adopted Budget projects a General Fund beginning balance of \$1.128 billion, revenues of \$7.220 billion, total estimated expenditures of \$7.235 billion, other financing sources and uses of negative \$82.8 million, and an ending balance of \$1.031 billion. The projected General Fund beginning balance of \$1.128 billion for Fiscal Year 2016-17 is approximately \$463.2 million greater than the Fiscal Year 2015-16 beginning balance estimated in the District's Fiscal Year 2015-16 Final Adopted Budget. The Fiscal Year 2016-17 District Final Adopted Budget projects that its General Fund ending balance of \$1.031 billion will consist of approximately \$73.4 million for the mandatory Reserve for Economic Uncertainties, \$20.7 million of non-spendable funds, \$151.0 million of restricted ending balances, \$702.7 million of assigned ending balances and \$82.9 million of undesignated and unassigned ending balances.

The Fiscal Year 2016-17 District Final Adopted Budget includes certain assumptions and policies as follows: (a) a COLA of 0% and LCFF Gap Funding (defined herein) percentage of 54.84% for LCFF (defined herein) revenues; (b) COLA of 0% for selected categorical programs outside of the LCFF; (c) LCFF ADA (defined herein) of 457,346.85 for non-charter schools and 41,603.84 for Affiliated Charter Schools; (d) three-year rolling average unduplicated count and percentage of 408,434 and 83.84% for non-charter schools and 16,972 and 40.20% for Affiliated Charter Schools; (e) an LCFF allocation of \$696.9 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 \$304.5 million, which includes the additional proportionality requirement of \$245.5 million based on the CDE Decision (defined herein) (See "District Financial Information – Risk Management – Litigation regarding the Local Control Funding Formula" and "– District Budget – Expenditures for Unduplicated Pupils" and "– Realignment Exercise" herein); (g) a COLA of 0% on the special education apportionment from the State under Assembly Bill 602 (1997); (h) a net enrollment decline of 13,728 students from 2015-16 for non-charter and Affiliated Charter Schools; (i) an enrollment increase of approximately 5,984 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 \$67.5 million to the OPEB Trust Fund for Fiscal Year 2016-17; (l) an increase of 1.85% in the contribution rate for CalSTRS (defined herein) for Fiscal Year 2016-17 from 10.73% to 12.58%; (m) an increase of 2.041% of the CalPERS (defined herein) employer contribution rate for Fiscal Year 2016-17 from 11.847% to 13.888%; (n) a California consumer price index of 2.15% on other operating expenditures, except utilities which is projected to increase by 10%; (o) ongoing and major maintenance resources of \$227.9 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 \$38.6 million and \$33.5 million, respectively, in Fiscal Year 2016-17; (q) a contribution of \$95.4 million to the Workers' Compensation

Fund, which includes the total Workers' Compensation actuarially-determined funded liability of \$459.6 million; (r) inclusion of general obligation bonds and COPs (defined herein) debt service and other interfund transfer expenditures in Fiscal Year 2016-17; (s) a Reserve for Economic Uncertainties totaling \$76 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 2016-17, reflecting the estimated ending balance as of June 30, 2016 contained in the financial report submitted to LACOE by the District in June 2016; (u) estimated ending balances for the General Fund and other funds for Fiscal Year 2016-17, which reflecting the difference between the estimated revenue and expenditure levels for Fiscal Year 2016-17; (v) authority to transfer amounts, as necessary, to implement technical adjustments related to the 2016-17 Final Adopted Budget; (w) authority to implement new revenues for Fiscal Year 2016-17, if any, and increase budgeted appropriations accordingly; (x) a release of committed funds for the ongoing portion of salary increases in Fiscal Year 2016-17 (See "District Financial Information – Employees and Labor Relations – Labor Agreements" herein); (y) carryover of General Fund School Program to individual school sites; (z) a reimbursement to the General Fund from general obligation bonds proceeds for the capital projects initiatives which were paid with ongoing and major maintenance resources; and (aa) 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 2012-13 through 2016-17 and the actual results for Fiscal Years 2012-13 through 2015-16. 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 2012-13 through 2016-17,
Audited Actuals for Fiscal Years 2012-13 through 2015-16⁽¹⁾⁽²⁾⁽³⁾
(\$ in millions)

	Final Adopted Budget 2012-13	Audited Actuals 2012-13	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	Final Adopted Budget 2016-17
Beginning Balance	\$758.4	\$824.8	\$638.7	\$592.7	\$655.2	\$700.3	\$665.2	\$819.8	\$1,128.4
Revenue:									
State Apportionment	\$2,093.8	\$1,921.3	\$2,246.9	\$3,480.2	\$3,827.2	\$3,811.4	\$4,388.3	\$4,200.8	\$4,430.0
Property Taxes	<u>818.3</u>	<u>992.4</u>	<u>809.0</u>	<u>870.9</u>	<u>845.7</u>	<u>930.7</u>	<u>861.8</u>	<u>1,089.3</u>	<u>986.5</u>
Total LCFF/Revenue Limit Revenues ⁽⁴⁾	<u>2,912.1</u>	<u>2,913.7</u>	<u>3,055.9</u>	<u>4,351.1</u>	<u>4,672.9</u>	<u>4,742.1</u>	<u>5,250.0</u>	<u>\$5,290.2</u>	<u>5,416.5</u>
Federal	733.8	629.9	726.2	557.3	727.9	646.8	739.2	585.5	713.9
Other State	2,002.0	2,002.5	2,119.5	822.4	705.5	905.4	953.8	1,144.7	967.1
Other Local	<u>128.8</u>	<u>125.5</u>	<u>141.3</u>	<u>122.8</u>	<u>116.8</u>	<u>125.8</u>	<u>136.1</u>	<u>141.2</u>	<u>122.1</u>
Total Revenue	<u>\$5,776.8</u>	<u>\$5,671.6</u>	<u>\$6,042.8</u>	<u>\$5,853.6</u>	<u>\$6,223.1</u>	<u>\$6,420.1</u>	<u>\$7,079.1</u>	<u>\$7,161.4</u>	<u>\$7,219.6</u>
Total Beginning Balance and Revenue	<u>\$6,535.2</u>	<u>\$6,496.4</u>	<u>\$6,681.5</u>	<u>\$6,446.4</u>	<u>\$6,878.3</u>	<u>\$7,120.3</u>	<u>\$7,744.3</u>	<u>\$7,981.3</u>	<u>\$8,348.0</u>
Expenditures									
Certificated Salaries	\$2,498.7	\$2,589.7	\$2,582.2	\$2,585.4	\$2,694.6	\$2,782.5	\$3,039.1	\$2,842.3	\$2,931.9
Classified Salaries	779.7	771.5	804.4	800.3	828.6	847.2	871.0	927.4	976.7
Employee Benefits	1,459.2	1,344.8	1,374.2	1,385.7	1,472.7	1,564.9	1,542.8	1,731.3	1,925.2
Books and Supplies	389.4	165.4	504.7	182.2	526.6	275.6	683.4	245.7	570.2
Other Operating Expenses	748.7	858.2	729.6	667.5	724.6	712.5	816.1	859.6	828.4
Capital Outlay	39.5	52.3	30.6	32.3	12.5	15.6	7.0	41.1	15.0
Debt Service	1.8	0.9	1.1	0.9	1.0	0.9	0.1	0.8	0.9
Other Outgo	1.7	1.2	1.2	6.3	1.1	6.5	7.6	5.7	7.8
Transfers of Indirect Cost	--	--	--	--	--	--	(22.4) ⁽⁵⁾	(20.7)	(21.6)
Total Expenditures	<u>\$5,918.7</u>	<u>\$5,784.0</u>	<u>\$6,027.9</u>	<u>\$5,660.7</u>	<u>\$6,261.6</u>	<u>\$6,205.7</u>	<u>\$6,967.2</u>	<u>\$6,633.3</u>	<u>\$7,234.5</u>
Excess (Deficiency) of Revenue Over (Under) Expenditures	(141.9)	(112.4)	15.0	192.9	(38.6)	214.3	112.0	528.2	(14.9)
Total Other Financing Sources (Uses)	(91.1)	(119.7)	(171.6)	(85.4)	(127.3)	(94.8)	(58.3)	(37.8)	(82.8)
Change in Fund Balance	(232.9)	(232.1)	(156.7)	107.5	(165.9)	119.6	53.7	490.4	(97.7)
Ending Balance	<u>\$525.5</u>	<u>\$592.7</u>	<u>\$482.0</u>	<u>\$700.3</u>	<u>\$489.3</u>	<u>\$819.8</u>	<u>\$718.9</u>	<u>\$1,310.2</u>	<u>\$1,030.7</u>

	Final Adopted Budget <u>2012-13</u>	Audited Actuals <u>2012-13</u>	Final Adopted Budget <u>2013-14</u>	Audited Actuals <u>2013-14</u>	Final Adopted Budget <u>2014-15</u>	Audited Actuals <u>2014-15</u>	Final Adopted Budget <u>2015-16</u>	Audited Actuals <u>2015-16</u>	Final Adopted Budget <u>2016-17</u>
Fund Balance									
Nonspendable	\$10.4	\$18.5	\$11.2	\$19.6	\$18.5	\$20.7	\$19.6	31.1	\$20.7
Restricted	72.7	138.5	78.8	192.9	77.9	126.5	59.1	182.8	151.0
Committed	--	--	--	--	--	--	218.3	218.3	--
Assigned	377.0	370.4	247.4	336.4	303.2	418.4	308.2	558.7	702.7
Reserved for Revenue Uncertainties	--	--	32.5	--	--	--	--	--	--
Reserved for Economic Uncertainties	65.4	65.4	65.4	65.4	65.4	65.4	72.4	72.4	73.4
Undesignated/Unassigned	--	--	<u>46.7</u>	<u>85.9</u>	<u>24.3</u>	<u>188.8</u>	<u>41.3</u>	<u>247.0</u>	<u>82.9</u>
	<u>\$525.5</u>	<u>\$592.7</u>	<u>\$482.0</u>	<u>\$700.3</u>	<u>\$489.3</u>	<u>\$819.8</u>	<u>\$718.9</u>	<u>\$1,310.2</u>	<u>\$1,030.7</u>

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

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

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

(4) Beginning Fiscal Year 2013-14, the State has replaced the former revenue limit formula for State Aid to school districts with the LCFF. See "State Funding of School Districts – Local Control Funding Formula" herein.

(5) 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 2012-13 through 2016-17; Comprehensive Annual Financial Reports for Fiscal Years 2012-13 through 2015-16.

Expenditures for Unduplicated Pupils. 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 (defined herein). See “District Financial Information – Risk Management and Litigation – Litigation Regarding Expenditures for Unduplicated Pupils” herein. 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. The petitioners alleged in the *Frias* Complaint 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 this 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.

The petitioners claimed that the District may not consider special education services to be services for Unduplicated Pupils and the District’s use of special education expenditures as a component of the expenditures for Unduplicated Pupils is erroneous. See “District Financial Information – Risk Management and Litigation – Litigation regarding the Local Control Funding Formula” herein.

The CDE determined that, based on the information provided, the entire \$450 million referenced above did not consist of expenditures on special education services provided to pupils based on their status as Unduplicated Pupils, in addition to special education services provided to all pupils, as required under the California Code of Regulations. The CDE Decision directed the District to exclude the special education expenditures from its MPP calculation and to recalculate its prior year expenditures and MPP. However, the CDE did not require the District to implement the additional expenditures for Unduplicated Pupils until Fiscal Year 2017-18. The District, LACOE and CDE have been conferring with respect to the Realignment Exercise (defined herein) to determine what amounts, if any, should be reallocated. See “District Financial Information District Budget – First Interim Report for Fiscal Year 2016-17,” “ – Second Interim Report for Fiscal Year 2016-17,” and “ – Fiscal Stabilization Plan” herein.

Realignment Exercise. Following the CDE’s guidance, 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 may qualify as supplemental and concentration expenditures as well as existing and new programs that were and can be redesigned to better serve targeted student populations (collectively, the “Realignment Exercise”). To the extent that the CDE and LACOE concur with the District’s analysis, the application of the Realignment Exercise will reduce the District’s proportionality requirement. See “District Financial Information District Budget – First Interim Report for Fiscal Year 2016-17,” “ – Second Interim Report for Fiscal Year 2016-17,” and “ – Fiscal Stabilization Plan” herein.

District Budget and Interim Financial Estimates. The following Table A-7 sets forth budgeted revenues and expenditures and projected year-end amounts, including projected year-end General Fund Balances, as reported in the Fiscal Year 2016-17 District Final Adopted Budget, the Fiscal Year 2016-17 First Interim Report and the Fiscal Year 2016-17 Second Interim Report. The District has timely prepared these estimates of its Fiscal Year 2016-17 financial results and provided this information to the District Board and LACOE. See “ – First Interim Report for Fiscal Year 2016-17” and “ – Second Interim Report for Fiscal Year 2016-17” herein.

TABLE A-7
LOS ANGELES UNIFIED SCHOOL DISTRICT
District General Fund
Summary of Fund Balances, Revenues and Expenditures
Fiscal Year 2016-17
(\$ in millions)

	Fiscal Year 2016-17 District Final Adopted Budget (June 2016)	Fiscal Year 2016-17 First Interim Report (December 2016)⁽¹⁾	Fiscal Year 2016-17 Second Interim Report (March 2017)⁽²⁾
Beginning Balance	\$1,128.4	\$1,298.7	\$1,310.2
Revenues	\$7,219.6	\$7,196.5	\$7,201.5
Expenditures	\$7,234.5	\$7,040.4	\$6,975.3
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources and Uses	\$(14.9)	\$156.2	\$ 226.2
Other Financialing Sources/Uses	\$(82.8)	\$(55.3)	\$(54.2)
Ending Balance	\$1,030.7	\$1,399.6	\$ 1,482.2

⁽¹⁾ Reflects the District's actuals for Fiscal Year 2016-17 for the period from July 1, 2016 through October 31, 2016 and projections for the period from November 1, 2016 through June 30, 2017.

⁽²⁾ Reflects the District's actuals for Fiscal Year 2016-17 for the period from July 1, 2016 through January 31, 2017 and projections for the period from February 1, 2017 through June 30, 2017.

Sources: Los Angeles Unified School District Fiscal Year 2016-17 District Final Adopted Budget, Fiscal Year 2016-17 First Interim Report and Fiscal Year 2016-17 Second Interim Report.

First Interim Financial Report for Fiscal Year 2016-17. The District filed its Fiscal Year 2016-17 First Interim Report (the "Fiscal Year 2016-17 First Interim Report") with LACOE by the December 15, 2016 deadline with a self-certified qualified certification of the District's financial condition. In accordance with guidance from the CDE, the District applied the Realignment Exercise to the projections set forth in the Fiscal Year 2016-17 First Interim Report. See "District Financial Information – District Budget – Expenditures for Unduplicated Pupils" herein.

The Fiscal Year 2016-17 First Interim Report projected that the District's General Fund ending balance as of June 30, 2017 would be approximately \$1.4 billion, which would consist of approximately \$31.1 million of nonspendable moneys, \$150.3 million of restricted funds, \$877.6 million of assigned funds, \$73.4 million to be deposited in the Reserve for Economic Uncertainties and, prior to the application of the Realignment Exercise and the December Fiscal Stabilization Plan (defined herein), \$267.1 million of unassigned/unappropriated funds. The Fiscal Year 2016-17 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 2016-17, 2017-18 and 2018-19 pursuant to the California Code of Regulations.

The Fiscal Year 2016-17 First Interim Report stated that the District would be able to meet its financial obligations in Fiscal Years 2016-17 and 2017-18. However, the District projected that it would need budget-balancing solutions and/or shared commitments from its collective bargaining units in Fiscal Year 2018-19 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 projections set forth in the Fiscal Year 2016-17 First Interim Report include the estimated impact of the CDE Decision regarding proportionality and of the Realignment Exercise on the unassigned portion of the General Fund. The District projected that the CDE Decision (without the Realignment Exercise) regarding proportionality would cause a positive unassigned General Fund ending balance of \$267.1 million as of June 30, 2017 and negative unassigned General Fund ending balances of \$441.2 million as of June 30, 2018 and \$1.458 billion as of June 30, 2019. However, after taking into consideration the application of the Realignment Exercise, the District projected positive unassigned General Fund ending balances of \$529.9 million as of June 30, 2017 and \$280.0 million as of June 30, 2018, and a negative unassigned General Fund ending balance of \$252.0 million as of June 30, 2019. To address the projected Fiscal Year 2018-19 deficit, the District developed a fiscal stabilization plan (the “December Fiscal Stabilization Plan”) that proposed (i) reductions to the central office, (ii) clerical reductions at the central office allocated to school sites, (iii) resolution of the CDE Decision regarding proportionality, (iv) shifts to telecommunications maintenance funding, and (v) changes to routine repair and general maintenance funding. The District projected that the December Fiscal Stabilization Plan and the application of the Realignment Exercise, assuming the projections set forth therein were realized, would result in positive General Fund ending balances of \$559.1 million as of June 30, 2017, \$420.7 million as of June 30, 2018, and \$0.3 million as of June 30, 2019. See “District Financial Information District Budget – Expenditures for Unduplicated Pupils,” “ – Realignment Exercise,” “ – Second Interim Report for Fiscal Year 2016-17,” and “ – Fiscal Stabilization Plan” herein.

Second Interim Financial Report for Fiscal Year 2016-17. The District submitted the Fiscal Year 2016-17 Second Interim Report (the “Fiscal Year 2016-17 Second Interim Report”) to LACOE by the March 17, 2017 deadline with a self-certified qualified certification of the District’s financial condition. In accordance with guidance from the CDE, the District applied the Realignment Exercise to the projections set forth in the Fiscal Year 2016-17 Second Interim Report. See “District Financial Information – District Budget – Expenditures for Unduplicated Pupils” herein.

The Fiscal Year 2016-17 Second Interim Report projects that the District’s General Fund will end Fiscal Year 2016-17 with an ending balance of approximately \$1.5 billion, which will consist of approximately \$31.1 million of nonspendable moneys, \$161.9 million of restricted funds, \$908.1 million of assigned funds, \$73.4 million to be deposited in the Reserve for Economic Uncertainties and, prior to the application of the Realignment Exercise and the Fiscal Stabilization Plan, \$307.7 million of unassigned/unappropriated funds. The Fiscal Year 2016-17 Second Interim Report projects 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 2016-17, 2017-18 and 2018-19 pursuant to the California Code of Regulations.

The projections set forth in the Fiscal Year 2016-17 Second Interim Report include the estimated impact of the CDE Decision regarding proportionality and of the Realignment Exercise on the unassigned portion of the General Fund. The District projected that the CDE Decision (without the Realignment Exercise) would result in a positive unassigned General Fund ending balance of \$307.7 million as of June 30, 2017 and negative unassigned General Fund ending balances of \$541.9 million as of June 30, 2018 and \$1.601 billion as of June 30, 2019. However, after taking into consideration the application of the Realignment Exercise, the District projected positive unassigned General Fund ending balances of \$570.4 million as of June 30, 2017 and \$179.2 million as of June 30, 2018, and a negative unassigned General Fund ending balance of \$395.5 million as of June 30, 2019. See “District Financial Information District Budget – Expenditures for Unduplicated Pupils,” “ – Realignment Exercise,” and “ – Fiscal Stabilization Plan” herein.

Fiscal Stabilization Plan. The Fiscal Stabilization Plan submitted to LACOE in March 2017 (the “Fiscal Stabilization Plan”) includes, among other things, the proposals from the December Fiscal Stabilization Plan and the application of the Realignment Exercise in order to address projected deficits in in Fiscal Years 2017-18 and 2018-19. The Fiscal Stabilization Plan contained Option A, which consists of shared commitments between the District and its collective bargaining units (“Option A”), and Option B, which consists of items that the District can implement unilaterally (“Option B”). LACOE’s guidelines recommend that the District rely on items that the District can implement without shared commitments from its collective bargaining units. Accordingly, the District plans to implement Option B. However, the District and its bargaining units may agree to implement all or a portion of the Option A proposals.

Option A proposes (i) reductions to the central office, (ii) clerical reductions allocated to school sites, (iii) resolution of the disproportionality issue, (iv) shifts to telecommunications maintenance funding, and (v) changes to routine repair and general maintenance funding. In addition, Option A assumes bargaining units will agree to maintain health and welfare per participant contribution rates at the calendar year 2017 levels and to implement a four percent decrease to total health and welfare total contributions. The District projects that Option A, assuming the projections set forth therein are realized and bargaining units agree to shared commitments with the District, will result in positive ending unassigned General Fund balances of \$599.6 million as of June 30, 2017, \$361.7 million as of June 30, 2018, and \$6.0 million as of June 30, 2019 as set forth in Table A-8 below.

Option B proposes (i) reductions to the central office reductions, (ii) clerical reductions allocated to school sites, (iii) resolution of the disproportionality issue, (iv) shifts to telecommunications maintenance funding, and (v) changes to routine repair and general maintenance funding. Unlike Option A, Option B requires the District to maintain OPEB contributions at the levels for Fiscal Year 2017-18 and to implement a school allocation carryover from the General Fund. The District projects that Option B, assuming the projections set forth therein are realized, will result in positive unassigned General Fund ending balances of \$599.6 million as of June 30, 2017, \$320.2 million as of June 30, 2018, and \$6.0 million as of June 30, 2019 as set forth in Table A-8 below. The District plans to consider additional proposals for the Fiscal Stabilization Plan as it confers with the CDE and LACOE.

The following Table A-8 sets forth the projected unassigned General Fund ending balances as of June 30, 2017, June 30, 2018, and June 30, 2019 based on the Fiscal Year 2016-17 Second Interim Report prior to and after application of the Realignment Exercise. In addition, the following table sets forth such projected unassigned General Fund ending balances under Option A and Option B of the Fiscal Stabilization Plan.

TABLE A-8
LOS ANGELES UNIFIED SCHOOL DISTRICT
District General Fund
Projected Unassigned General Fund Ending Balance
Fiscal Years ended June 30, 2017, June 30, 2018 and June 30, 2019
(\$ in millions)

	<u>June 30, 2017</u>	<u>June 30, 2018</u>	<u>June 30, 2019</u>
Fiscal Year 2016-17 Second Interim Report Prior to Realignment Exercise	\$307.7	\$(541.9)	\$(1,601.4)
Fiscal Year 2016-17 Second Interim Report After Realignment Exercise	\$570.4	\$179.2	\$(395.5)
Fiscal Year 2016-17 Second Interim Report After Realignment Exercise and Fiscal Stabilization Plan – Option A ⁽¹⁾	\$599.6	\$361.7	\$6.0
Fiscal Year 2016-17 Second Interim Report After Realignment Exercise and Fiscal Stabilization Plan – Option B ⁽¹⁾	\$599.6	\$320.2	\$6.0

⁽¹⁾ Pursuant to LACOE guidelines, the Fiscal Stabilization Plan will proceed under Option B, which the District can implement unilaterally and will not require shared agreements with collective bargaining units.

Sources: Los Angeles Unified School District Fiscal Year 2016-17 Second Interim Report and Fiscal Stabilization Plan. Programs identified through the Realignment Exercise will still need to go through the LCAP development and update process.

June Report for Fiscal Year 2016-17. In accordance with LACOE’s guidelines, the District plans to file an additional report (the “Fiscal Year 2016-17 June Report”) with LACOE by June 1, 2017. The Fiscal Year 2016-17 June Report will include updated information with respect to the District’s estimated revenues and expenditures for Fiscal Year 2016-17. In addition, the District plans to incorporate the Governor’s proposals, including projected school district expenditures, set forth in the 2017-18 May Revision in its Fiscal Year 2016-17 June Report. See “State Funding of School Districts – State Budget – May Revision to the 2017-18 Proposed State Budget” herein.

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 2016-17 Second Interim Report projects that \$622.2 million, or approximately 8.6% 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.

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 – “Comprehensive Annual Financial Report of the District for the Fiscal Year ended June 30, 2016” 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 2015-16. See Appendix B – “Comprehensive Annual Financial Report of the District for the Fiscal Year ended June 30, 2016” 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 comprehensive annual financial reports (“CAFRs”) with LACOE pursuant to the Education Code by the respective deadlines therefor with the exception of Fiscal Year 2012-13. The filing of the CAFR for Fiscal Year 2012-13 was delayed due to issues discovered in connection with the migration of capital asset data from the District’s previous system for accounting and purchasing, known as the Integrated Financial System, to a new system known as the SAP Financial System. However, the District applied for and received an extension from LACOE and filed the CAFR for Fiscal Year 2012-13 by the deadline 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-9 sets forth the number of members of each bargaining unit as of May 1, 2017 and the expiration dates of the existing or successor labor agreements with each of the District’s employee bargaining units.

TABLE A-9
LOS ANGELES UNIFIED SCHOOL DISTRICT
Employee Bargaining Units and Contract Expiration Dates
As of May 1, 2017

Employee Bargaining Unit	Members	Contract Expiration Date (June 30)
Associated Administrators of Los Angeles (Certificated)	2,694	2017
Unit A (School Police)	406	2017
Unit B (Instructional Aides)	12,536	2017
Unit C (Operations – Support Services)	7,981	2017
Unit D (Office – Technical and Business Services)	4,346	2017
Unit E (Skilled Crafts)	1,483	2017
Unit F (Teacher Assistants)	4,168	2017
Unit G (Playground Aides)	10,577	2017
Unit H (Sergeants and Lieutenants)	64	2017
Unit J (Classified Management)	316	2018
Unit S (Classified Supervisors)	3,276	2017
United Teachers of Los Angeles	31,809	2017
District Represented Employees ⁽¹⁾	480	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.

Reopener Provisions and Successor Agreements. The District and UTLA concluded reopener negotiations for the 2015-2016 school year on May 17, 2016, the results of which became effective commencing July 1, 2016. The reopener agreement includes, among other things, the maintenance of 2015-16 class-size averages and maximums for the 2016-17 school year, an additional secondary teacher position at middle schools and high schools to reduce class-size in elective courses and to allow for enrichment electives, and an additional teacher position in grades 4 through 6 at the 55 highest need elementary schools. These modifications are aligned with a resolution adopted by the District Board in June 2014 that directed the District to develop an equity based index (the “LAUSD Student Equity Index”). The District uses the LAUSD Student Equity Index to identify the schools with the greatest need for additional State funds. In addition, the reopener agreement directs the allocation of one additional teaching position for each of the 55 elementary schools rated as having the highest needs as ranked by the LAUSD Student Equity Index. Currently, the District and UTLA are in successor negotiations for the 2016-2017 school year on the topics of salary, class size, evaluations, transfers, academic freedom, and student discipline.

The District and Unit E have completed reopener negotiations for the 2016-17 school year, the result of which will implement a 3.5% salary increase for employees that did not receive a prevailing wage during the 2016-17 school year. The District and Unit J have completed negotiations with respect to a successor agreement. In accordance with the labor agreement for Unit J, Unit J managers who have been with the District for a term of at least ten years will receive a longevity increase to their salaries. The District and Unit A, Unit H, and Unit S are currently negotiating salary increases in accordance with the reopener provisions set forth in their current labor agreements. In addition, the District and Unit S are negotiating certain limited matters pertaining to the 2016-17 school year.

The District and Service Employees International Union, Local 99, which includes members of Unit B, Unit C, Unit F, and Unit G, have commenced negotiations with respect to a successor agreements. The proposed term of the successor agreement, if approved, will begin in Fiscal Year 2017-18 and end in Fiscal Year 2020-21. Certain of the labor agreements between the District and various bargaining units allow the bargaining unit named therein to request terms similar to those approved for other bargaining units. The District cannot predict whether any bargaining unit will exercise such provision, if available.

Health Benefits Agreement. The District and its bargaining units approved the 2015-2017 Health Benefits Agreement (the “2015-2017 Health Benefits Agreement”) in June 2015. The 2015-2017 Health Benefits Agreement defines the District’s contribution towards health and welfare benefits for active and retired employees. For Fiscal Year 2016-17, the District’s estimated General Fund contribution to the Plan was \$897.6 million. Pursuant to the 2015-2017 Health Benefits Agreement, contributions will be paid in part from funds in the reserve fund (the “Health Benefit Reserve Fund”). As of June 30, 2016, the total net position of the Health Benefit Reserve Fund was approximately \$311.2 million.

Pursuant to the 2015-2017 Health Benefits Agreement, the Health Benefit Reserve Fund will provide a contribution toward any increase during the 2016 and 2017 calendar years. However, pursuant to the 2015-2017 Health Benefits Agreement, the balance in the Health Benefit Reserve Fund may not be reduced below \$160 million as of December 31, 2017 if the term of the 2015-2017 Health Benefits Agreement ends on December 31, 2017, or if the 2015-2017 Health Benefits Agreement is extended, December 31, 2018. The 2015-2017 Health Benefits Agreement may be extended to 2018 only if there is a 20% reduction in the liability for OPEB as reported under GASB 45 by January 1, 2018, and health benefits costs for plan year 2017 increase by 4.5% or less from the prior year based on the August 1, 2017 estimate. See “State Funding of School Districts – Local Control Funding Formula – General” and “State Funding of School Districts – Local Control Funding Formula – Local Control Funding Formula Gap Funding” herein.

Reduction in Force and Release Notices. In general, pursuant to the Education Code, the District must give written notice to a certificated employee by the March 15 (each, a “Reduction in Force and Release Notice”) prior to the commencement of a school year if such certificated employee is to be released or reassigned for that school year. In anticipation of the approval of the State’s budget and the approval of the District’s budget and 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 2017, the District Board authorized Reduction in Force and Release Notices for all certificated contract level management and senior management employees of the classified service with expiring contracts and all non-school based administrators in specified positions informing them that they may be released or reassigned for the 2017-18 school year, and authorization for staff to send subsequent notices by June 30, 2017, to employees, or at least 45 days in advance of their expiring contract, or as specified. The District expects to rescind a portion of the Reduction in Force and Release Notices for Fiscal Year 2017-18.

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-10 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 2012-13 through 2015-16, the estimated contribution for 2016-17, and these contributions as a percentage of the District's Total Governmental Funds expenditures for Fiscal Years 2012-13 through 2016-17. See Table A-11 "Annual Regular CalSTRS Contributions," Table A-14 "Annual CalPERS Regular Contributions" and Table A-18 "Annual PARS Contribution" for the estimated contributions by the District for Fiscal Year 2016-17 for CalSTRS, CalPERS and PARS, respectively. For additional information regarding the District's pension and retiree health care programs and costs, see the District's financial statements for Fiscal Year 2015-16 contained in Appendix B – "Comprehensive Annual Financial Report of the District for the Fiscal Year ended June 30, 2016" attached hereto.

TABLE A-10

LOS ANGELES UNIFIED SCHOOL DISTRICT
Aggregate Employer Contributions to CalSTRS, CalPERS and PARS
Fiscal Years 2012-13 through 2016-17
(\$ in millions)

Fiscal Year	District Contributions⁽¹⁾	District Contribution as Percentage of Total Governmental Funds Expenditures
2012-13	\$346.0	4.36%
2013-14	348.6	4.45
2014-15	373.6	4.47
2015-16	438.5	5.04
2016-17 ⁽²⁾	557.6	5.72

⁽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 2012-13 through 2015-16; Fiscal Year 2016-17 District Final Adopted Budget for Fiscal Year 2016-17; 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.

For many years prior to Fiscal Year 2014-15 and unlike typical defined benefit programs such as those administered by CalPERS, neither the CalSTRS employer nor the State contribution rate varied annually to make up funding shortfalls or assess credits for actuarial surpluses. The State did pay a surcharge when the teacher and school district contributions were not sufficient to fully fund the basic defined benefit pension (generally consisting of 2% of salary for each year of service at age 60 referred to as “pre-enhancement benefits”) within a 30-year period. In recent fiscal years, employees contributed 8.00% of gross salary expenditures to CalSTRS, and the District contributed 8.25% of gross salary expenditures to CalSTRS.

On February 1, 2017, the State Teachers’ Retirement Board voted to adopt revised actuarial assumptions reflecting members’ increasing life expectancies and current economic trends. The revised assumptions include a decrease from 7.50% to a 7.25% investment rate of return for the June 30, 2016 actuarial valuation, a decrease from 7.25% to a 7.00% investment rate of return for the June 30, 2017 actuarial valuation, a decrease from 3.75% to a 3.50% projected wage growth, and a decrease from 3.00% to a 2.75% price inflation factor. Due to the revised actuarial assumptions, among other factors, CalSTRS projects that the June 30, 2016 actuarial valuation will reflect a decrease in overall funded ratio of its defined benefit program from 68.5% to approximately 64.0% based on the actuarial value of assets.

The California State Teachers’ Retirement System Defined Benefit Program Actuarial Valuation as of June 30, 2016 (the “2016 CalSTRS Actuarial Valuation”) is the most recent actuarial valuation for the CalSTRS plan. CalSTRS actuarial consultant (the “Actuarial Consultant”) determines the actuarial value of the 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.

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, projected 2.75% inflation 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 stated that the aggregate contribution rate as of June 30, 2017, inclusive of an equivalent rate contribution of 10.219% from members, 8.000% from employers relating to the base rate, 0.250% from employers based on the sick leave rate, 10.096% from employers based on the supplemental rate, 1.881% from the State based on the base rate and 4.021% from the State based on the supplemental rate is equivalent to 34.467%. The 2016 CalSTRS Actuarial Valuation assumes that all members hired on or after January 1, 2013 are subject to the provisions of PEPPRA (defined herein). See “- Retirement Systems – California Public Employees’ Pension Reform Act of 2013” herein. The Actuarial Consultant stated that the lower level of benefits offered to PEPPRA

Employees (defined herein) is expected to reduce the normal costs related thereto and the amount of additional revenue needed.

As of June 30, 2016, the District's proportionate share of CalSTRS' net pension liability was approximately \$4 billion. Pursuant to GASB 68, if CalSTRS or any other defined benefit program is projected to exhaust all of its assets in the future, the assumed rate of return will only be applied to assets until such time as the assets are no longer sufficient to pay benefits. Subsequent thereto, the remaining liability will be discounted with a high-quality municipal bond rate. See " – Pension Accounting and Financial Reporting Standards" herein. In connection with the State Budget Act for Fiscal Year 2014-15, the State approved, among other things, increases to CalSTRS contribution rates in order to reduce the UAAL of CalSTRS.

Beginning in Fiscal Year 2014-15, employer, employee and State contributions to CalSTRS were increased pursuant to Assembly Bill 1469 (2014) ("AB 1469") which was enacted in June 2014. The District's employer contribution rate for Fiscal Year 2014-15 increased from 8.25% of covered payroll to 8.88% of covered payroll. Beginning in Fiscal Year 2015-16, the District's employer contribution rate will have an increase of 1.85% of covered payroll each year from Fiscal Year 2014-15 through Fiscal Year 2018-19 and 0.97% during Fiscal Year 2019-20 until the employer contribution rate is 19.10% of covered payroll. Pursuant to AB 1469, employee contributions for employees who joined CalSTRS prior to the approval by the Governor of the State (the "Governor") of PEPRA, which established new retirement formulas for employees hired on or after January 1, 2013, will increase from 8.00% to 10.25% of covered payroll from Fiscal Year 2013-14 to Fiscal Year 2016-17. In addition, employee contributions for employees who joined CalSTRS after PEPRA will increase from 8.00% to 9.205% of covered payroll from Fiscal Year 2013-14 to Fiscal Year 2016-17. 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. Pursuant to AB 1469, the State's contribution rates will increase from 3.041% to 6.328% from Fiscal Year 2013-14 to Fiscal Year 2016-17. See "District Financial Information – Retirement Systems – Pension Accounting and Financial Reporting Standards" and "State Budget – State Budget Act – State Budget Act for Fiscal Year 2015-16" and "State Budget – Limitations on School District Reserves" herein.

The CalSTRS Comprehensive Annual Financial Report for Fiscal Year 2015-16 (the "2015-16 CalSTRS CAFR") states that during Fiscal Year 2015-16, CalSTRS included 37,808 covered employees of the District in its State Teachers Retirement Program and 2,658 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 7.52% and 24.17% 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, 2015" prepared by CalSTRS, the District's employer contribution to CalSTRS for Fiscal Year 2014-15 was approximately \$244.5 million which amount reflected approximately 5.932% of all employer contributions for Fiscal Year 2014-15.

The following Table A-11 sets forth the District's regular annual contributions to CalSTRS for Fiscal Years 2012-13 through 2015-16, the estimated contribution Fiscal Year 2016-17, and these contributions as a percentage of the District's Total Governmental Funds expenditures for Fiscal Years 2012-13 through 2016-17. The District's contributions from the General Fund are set forth in Table A-12 hereto. The District has always paid all required CalSTRS annual contributions. As of June 30, 2016, 36,729 District employees were members of CalSTRS.

TABLE A-11

LOS ANGELES UNIFIED SCHOOL DISTRICT
Annual Regular CalSTRS Contributions
Fiscal Years 2012-13 through 2016-17
(\$ in millions)

Fiscal Year	District Contributions⁽¹⁾⁽²⁾	District Contribution as Percentage of Total Governmental Funds Expenditures
2012-13	\$213.5	2.69%
2013-14	212.5	2.71
2014-15	245.5 ⁽³⁾	2.94
2015-16	302.7	3.48
2016-17 ⁽⁴⁾	373.4	3.83

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

⁽²⁾ Excludes employee contributions paid by the District.

⁽³⁾ The District expects to reconcile with CalSTRS regarding the contribution amounts for Fiscal Year 2014-15.

⁽⁴⁾ Estimated. Excludes on-behalf payments from the State to CalSTRS.

Sources: Los Angeles Unified School District Comprehensive Annual Financial Reports for Fiscal Years 2012-13 through 2015-16; Fiscal Year 2016-17 District Final Adopted Budget for Fiscal Year 2016-17; and the District for the percentage of Total Governmental Funds Expenditures.

The following Table A-12 sets forth the employer contribution rates for CalSTRS, including the contribution rates approved pursuant to AB 1469 that began in Fiscal Year 2014-15. Table A-12 also presents the increase in the General Fund CalSTRS cost attributable to these annual contribution rate changes from 2013-14 through 2020-2021. In order to isolate the impact of the rate changes, the annual changes due to the CalSTRS rate changes are based on the District's budgeted Fiscal Year 2016-17 estimated total creditable compensation in each fiscal year. 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.

TABLE A-12

LOS ANGELES UNIFIED SCHOOL DISTRICT
CalSTRS Employer Rates, Estimated Total Creditable Compensations
and Estimated General Fund Costs⁽¹⁾
Fiscal Years 2013-14 through 2020-21
(\$ in millions)

Fiscal Year	CalSTRS Employer Rate⁽²⁾	Total General Fund Certificated Salaries⁽³⁾	General Fund CalSTRS Cost⁽⁴⁾	Change due to CalSTRS Rate Change⁽⁴⁾	Cumulative Change due to CalSTRS Rate Change⁽⁴⁾
2013-14	8.25%	\$2,600	\$215	--	--
2014-15	8.88	2,600	231	\$16	\$16
2015-16	10.73	2,600	279	48	64
2016-17	12.58	2,600	327	48	113
2017-18	14.43	2,600	375	48	161
2018-19	16.28	2,600	423	48	209
2019-20	18.13	2,600	471	48	257
2020-21	19.10	2,600	497	25	282

⁽¹⁾ Reflects only the District's General Fund.

⁽²⁾ CalSTRS Employer Rate reflects rates approved pursuant to AB 1469.

⁽³⁾ The column "Total General Fund Certificated Salaries" sets forth the Total General Fund certificated salaries in Fiscal Year 2013-14. Such amount is used for the estimated total General Fund certificated salaries for Fiscal Years 2014-15 through 2020-21 in order to show the effect of the CalSTRS rate increases.

⁽⁴⁾ The columns "General Fund CalSTRS Cost," "Change due to CalSTRS Rate Change," and "Cumulative Change due to CalSTRS Rate Change" reflects the calculation of the CalSTRS rate and the District's estimated total General Fund certificated salaries and the related change.

Sources: Los Angeles Unified School District Comprehensive Annual Financial Report for Fiscal Year 2013-14, Fiscal Year 2014-15, and Fiscal Year 2015-16; Fiscal Year 2016-17 Second Interim Report; and the District for projected and calculated information.

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-13. 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 " – Pension Accounting and Financial Reporting Standards" herein and Appendix B – "Comprehensive Annual Financial Report of the District for the Fiscal Year ended June 30, 2016" attached hereto.

TABLE A-13

**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.

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.

California Public Employees' Retirement System. CalPERS is a defined benefit plan that covers classified personnel who work four or more hours per day. Benefit provisions are established by State legislation in accordance with the Public Employees' Retirement Law. The contribution requirements of the plan members are established by State statute. The actuarial methods and assumptions used for determining the rates are based on those adopted by Board of Administration of CalPERS. The District's contributions for all members for Fiscal Years 2015-16 were in accordance with the required contribution rates calculated by CalPERS' actuary for each fiscal year. Classic plan members are required to contribute 7% (miscellaneous) or 9% (safety) of their monthly salary, and the District is required to contribute based on an actuarially determined rate. PEPRAs members are required to contribute 6% (miscellaneous) or 12.75% (safety) of their monthly salary, and the District is required to contribute based on an actuarially determined rate. The required employer contribution rates for Fiscal Year 2016-17 are 13.888% for miscellaneous members hired prior to January 1, 2013 and 34.384% for safety members. 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 2011-12 through 2014-15 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-14 sets forth the District's regular annual contributions, inclusive of employee contributions paid by the District, to CalPERS for Fiscal Years 2012-13 through 2015-16, the estimated contribution for Fiscal Year 2016-17 and these contributions as a percentage of the District's Total Governmental Funds expenditures for Fiscal Years 2012-13 through 2016-17. The District has always paid all required CalPERS annual contributions. As of June 30, 2016, 26,890 District employees were members of CalPERS.

TABLE A-14

**LOS ANGELES UNIFIED SCHOOL DISTRICT
Annual CalPERS Regular Contributions
Fiscal Years 2012-13 through 2016-17
(\$ in millions)**

Fiscal Year	District Contributions⁽¹⁾⁽²⁾	District Contribution as Percentage of Total Governmental Funds Expenditures
2012-13	\$128.7	1.62%
2013-14	131.2	1.67
2014-15	122.7	1.47
2015-16	129.6	1.49
2016-17 ⁽³⁾	177.7	1.82

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

⁽²⁾ Includes regular contributions and employee contributions paid by the District and "PERS Recapture." Pursuant to State law, the State is allowed to recapture the savings corresponding to a lower CalPERS rate by reducing a school district's revenue limit apportionment by the amount of the school district's CalPERS savings in that year. Such recapture has occurred with respect to the District in each fiscal year since Fiscal Year 1982-83. Beginning in Fiscal Year 2013-14, the LCFF eliminated the CalPERS Savings Recapture.

⁽³⁾ Estimated. Reflects the elimination of the Employer Paid Member Contribution for its employees.

Sources: Los Angeles Unified School District Comprehensive Annual Financial Reports for Fiscal Years 2012-13 through 2015-16; Fiscal Year 2016-17 District Final Adopted Budget for Fiscal Year 2016-17; and the District for the percentage of Total Governmental Funds Expenditures.

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. To the extent that future experience differs from CalPERS' current actuarial assumptions and the assumed investment rate of return of 7.5%, the required employer contribution rates are expected to vary in the future. Accordingly, the District is unable to predict the amount of future State and employer funding towards CalPERS' liabilities or the amount of the contributions which the District may be required to make to CalPERS. In addition, such assumptions are expected to increase costs for the State and public agency employers (including school districts), which costs will be amortized over 20 years and phased in over three years beginning in Fiscal Year 2014-15 for the State and amortized over 20 years and phased in over five years beginning in Fiscal Year 2016-17 for the employers. These new assumptions will apply beginning with the June 30, 2015 valuation for the schools pool, setting employer contribution rates for Fiscal Year 2016-17. CalPERS estimates 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.

Beginning with the June 30, 2015 valuation, CalPERS employs 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. See Table A-16 – "Actuarial Value of Schools Portion of CalPERS – Historical Funding Status" herein.

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.

The following Table A-15 sets forth the District's estimates of the impact of the increased CalPERS rates on its contributions for Fiscal Years 2013-14 through 2017-18 for the District's General Fund.

TABLE A-15
Estimated Impact of Increased CalPERS Rates on
Employer Cost for the District's General Fund⁽¹⁾
Fiscal Years 2013-14 through 2017-18
(\$ in millions)

Fiscal Year	CalPERS Employer Rate (Miscellaneous)	CalPERS Employer Rate (Safety)	Total General Fund Classified Salaries	Estimated General Fund CalPERS Cost
2013-14	11.442%	31.821%	\$800	\$ 99
2014-15	11.771	30.845	847	94
2015-16	11.847	32.230	927	102
2016-17	13.888	34.384	982 ⁽²⁾	128 ⁽²⁾
2017-18	15.800 ⁽³⁾	35.996 ⁽⁴⁾	915 ⁽²⁾	151 ⁽²⁾

⁽¹⁾ Reflects only the District's General Fund.

⁽²⁾ Projections based on the estimated CalPERS cost from the General Fund.

⁽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 PEPR for the period of July 1, 2017 to June 30, 2018.

⁽⁴⁾ The District's employer contribution rates for safety employees for Fiscal Year 2017-18 are not yet available from CalPERS. The District has assumed annual increases in the CalPERS Employer Rate (Safety) to be proportional to the annual increases in the CalPERS Employer Rate (Miscellaneous) for fiscal years subsequent to Fiscal Year 2014-15.

Sources: Los Angeles Unified School District Comprehensive Annual Financial Report for Fiscal Years 2013-14 through Fiscal Year 2015-16 and Fiscal Year 2016-17 Second Interim Report.

CalPERS is operated on a Statewide basis and, based on publicly available information, has significant unfunded liabilities. 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. The market value of the schools portion of the CalPERS pension fund as of June 30, 2014 and June 30, 2015 was \$56.8 billion and \$56.8 billion, respectively. As of June 30, 2016, the District reported a net pension liability of \$1.3 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, 2015, 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, 2014 updated to June 30, 2015. The District's proportion of the net pension liability was based on the Fiscal Year 2014-15 employer contributions calculated by CalPERS. As of June 30, 2015, the District's proportion of the CalPERS net pension liability was approximately 8.7047%. See "– Pension Accounting and Financial Reporting Standards" herein and Note 9 to the audited financial statements of the District contained in Appendix B – "Comprehensive Annual Financial Report of the District for the Fiscal Year ended June 30, 2016" attached hereto.

The actuarial funding method used in the CalPERS Schools Pool Actuarial Valuation as of June 30, 2015 is the "Individual Entry Age Normal Cost Method". The CalPERS Schools Pool Actuarial Valuation as of June 30, 2015 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 UAAL and funded status of the schools portion of CalPERS as of June 30 of Fiscal Years ended June 30, 2011 through June 30, 2015 are set forth in the following Table A-16.

TABLE A-16
Actuarial Value of Schools Portion of CalPERS
Historical Funding Status
Valuation Dates June 30, 2011 through June 30, 2015
(\$ 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
2011	\$58,358.41	\$45,900.99	78.7%	\$12,457.42	\$10,540.43	118.2%
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

Source: CalPERS Schools Pool Actuarial Valuation as of June 30, 2015.

The CalPERS Safety Plan of the Los Angeles Unified School District (Employer # 3614620780) Annual Valuation Report as of June 30, 2015 uses the “Entry Age Normal Cost Method” as the actuarial funding method and assumes, among other things, a 7.5% 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, 2011 through June 30, 2015, are set forth in the following Table A-17.

TABLE A-17
CalPERS Actuarial Value of LAUSD Safety Plan⁽¹⁾
Historical Funding Status
Valuation Dates June 30, 2011 through June 30, 2015

Valuation Date (June 30)	Accrued Liability	Market Value of Assets⁽²⁾	Unfunded Liability	Funded Ratio	Annual Covered Payroll
2011	\$258,517,618	\$191,661,625	\$66,855,993	74.1%	\$24,676,608
2012	266,875,028	190,588,886	76,286,142	71.4	24,937,992
2013	277,736,785	212,659,399	65,077,386	76.6	25,449,254
2014	310,494,864	248,561,484	61,933,380	80.1	26,586,255
2015	340,858,626	253,090,287	87,768,339	74.3	30,859,822

⁽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-16 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, 2015.

In June 2016, CalPERS provided to the District the CalPERS Contract Audit regarding the District's compliance with its CalPERS contract, the Government Code, PEPR, and the California Code of Regulations. It includes, among other things, findings with respect to compensation, pay schedules and reporting requirements. The District is responding to the findings, conclusions and recommendations set forth in the CalPERS Contract Audit and plans to consider any subsequent responses provided by CalPERS.

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.

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-18 sets forth the District's annual contributions to PARS for Fiscal Years 2012-13 through 2015-16, the estimated annual contribution to PARS for Fiscal Year 2016-17 and the contributions as a percentage of the District's Total Governmental Funds expenditures for Fiscal Years 2012-13 through 2016-17. As of June 30, 2016, 16,537 District employees were members of PARS.

TABLE A-18

**LOS ANGELES UNIFIED SCHOOL DISTRICT
Annual PARS Contribution
Fiscal Years 2012-13 through 2016-17
(\$ in millions)**

Fiscal Year	District Contributions⁽¹⁾⁽²⁾	District Contribution as Percentage of Total Governmental Funds Expenditures
2012-13	\$3.8	0.05%
2013-14	4.9	0.06
2014-15	5.4	0.06
2015-16	6.2	0.07
2016-17 ⁽³⁾	6.5	0.07

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

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

⁽³⁾ Estimated.

Sources: Los Angeles Unified School District Comprehensive Annual Financial Reports for Fiscal Years 2012-13 through 2015-16; Fiscal Year 2016-17 District Final Adopted Budget for Fiscal Year 2016-17; 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 changes to required contribution requirements will go into effect on January 1, 2018 unless the employer and the affected bargaining unit have reached an agreement in accordance with PEPRA. See "District Financial Information – Employees and Labor Relations – Labor Agreements" 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 May 1, 2017, there are approximately 36,018 retirees and 61,556 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 policy of the District directs the District 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 \$219 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 and \$78 million in October 2016.

The following Table A-19 sets forth the District’s funding of other postemployment benefits for Fiscal Years 2012-13 through 2015-16, the estimated contribution for Fiscal Year 2016-17 set forth in the Fiscal Year 2016-17 District Final Adopted Budget and the contributions as a percentage of the District’s Total Governmental Funds expenditures for Fiscal Years 2012-13 through 2016-17. In addition, Table A-19 sets forth the District’s contribution to the OPEB Trust for Fiscal Years 2013-14 through 2016-17. See “District Financial Information – Collective Bargaining – Health Benefits Agreement” herein.

TABLE A-19

LOS ANGELES UNIFIED SCHOOL DISTRICT
Expenditures for Other Postemployment Benefits
Fiscal Years 2012-13 through 2016-17
(\$ in millions)

Fiscal Year	Amount	OPEB Trust Fund Contribution	Pay as You Go Amount	Expenditure as Percentage of Total Governmental Funds Expenditures
2012-13 ⁽¹⁾	\$245.4	--	\$245.4	3.09%
2013-14	326.9	\$60.0 ⁽²⁾	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	377.1 ⁽³⁾	78.0	299.1 ⁽³⁾	3.86 ⁽³⁾

⁽¹⁾ Pay as you go.

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

⁽³⁾ Projected.

Sources: District OPEB expenditures from the Los Angeles Unified School District Comprehensive Annual Financial Reports for Fiscal Years 2012-13 through 2015-16; Fiscal Year 2016-17 District Final Adopted Budget for Fiscal Year 2016-17; 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 – “Comprehensive Annual Financial Report of the District for the Fiscal Year ended June 30, 2016” 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 2015 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 post-retirement 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 \$1.07 billion for Fiscal Year 2015-16, which amount is approximately 23.3% of the District’s payroll at the July 1, 2015 valuation date. The recommended ARC for Fiscal Year 2015-16 reflects an increase of approximately \$166.57 million from the recommended ARC for Fiscal Year 2014-15 due to, among other things, an increase in the AAL as of July 1, 2016 from July 1, 2015. The Actuarial Consultant states that the increase in AAL is due to, among other things, the accrual of additional benefits by active participants, decreases in the discounting period for benefit payments, a decrease in the assumed discount rate, and revised demographic assumptions. The “pay-as-you-go” cost of providing postemployment benefits is projected to be \$287.70 million as of June 30, 2015. Accordingly, the District’s net OPEB obligation as of July 1, 2015 was estimated to be \$5.97 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-20 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 2010-11 through 2016-17.

TABLE A-20

LOS ANGELES UNIFIED SCHOOL DISTRICT
Annual Required Contributions, OPEB Costs and Net OPEB Obligations
Fiscal Years 2010-11 through 2016-17
(\$ in thousands)

Fiscal Year	Annual Required Contribution	Annual OPEB Cost	Actual Contribution⁽³⁾	Annual OPEB Cost Contributed	Net OPEB Obligation
2010-11	\$1,050,646 ⁽¹⁾	\$1,022,031	\$240,100	23%	\$3,175,742
2011-12	1,085,949 ⁽¹⁾	1,047,987	228,691	22	3,995,038
2012-13	1,085,949 ⁽¹⁾	1,038,193	245,388	24	4,787,843
2013-14	868,620 ⁽²⁾	890,880	326,888 ⁽⁴⁾	37	5,351,835
2014-15	905,130 ⁽²⁾	929,864	310,681 ⁽⁴⁾	33	5,971,018
2015-16	1,071,695 ⁽²⁾	1,090,749	338,705 ⁽⁴⁾	31	6,723,071
2016-17	1,119,554 ⁽²⁾	1,141,008	377,141 ⁽⁴⁾⁽⁵⁾	33	7,470,723

⁽¹⁾ Reflects actuarial valuations prepared by Buck Consultants.

⁽²⁾ Reflects actuarial valuations prepared by Aon Hewitt.

⁽³⁾ Actual contributions for Fiscal Year 2010-11 through 2015-16 as set forth in the Comprehensive Annual Financial Report for such fiscal years.

⁽⁴⁾ Includes the District's contributions to the OPEB Trust Fund of approximately \$219 million, 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 and \$78 million in October 2016.

⁽⁵⁾ Estimated.

Sources: District's Comprehensive Annual Financial Reports for Fiscal Year 2010-11 through 2015-16; Fiscal Year 2016-17 District Final Adopted Budget; and 2015 Postretirement Valuation.

Table A-21 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-21

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 thousands)

Actuarial Valuation Date	Actuarial Valuation of Assets	AAL	UAAL	Funded Ratio	Covered Payroll	UAAL as a % of Covered Payroll	Interest Rate
July 1, 2009	\$ --	\$10,300,000	\$10,300,000	0.00%	\$4,628,914	223%	5.00%
July 1, 2011	--	11,154,190	11,154,190	0.00	4,600,000 ⁽¹⁾	242	5.00
July 1, 2013	--	10,901,982	10,901,982	0.00	4,600,000 ⁽¹⁾	237	5.07
July 1, 2015	90,156	13,648,716	13,558,560	0.66	3,700,000 ⁽¹⁾	366	4.70

⁽¹⁾ Reflects the District's estimated covered payroll as of the actuarial valuation date.

Source: 2015 Postretirement Valuation.

The District continues to review its obligations under its postemployment benefit plan to determine, among other things, its course of action with respect to postemployment benefit contributions and what other postemployment benefit liability must be reported. In the opinion of District management, any further increase in the District's UAAL as described in the 2015 Postretirement Valuation will not adversely affect the District's ability to pay debt service on its general obligation bonds, including the Refunding Bonds described in the forepart of this Official Statement, which are payable from voter-approved *ad valorem* property taxes.

For additional information regarding the District's OPEB, see Appendix B – "Comprehensive Annual Financial Report of the District for the Fiscal Year ended June 30, 2016" 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 \$40 million coverage above a \$5 million self-insurance retention. No settlements exceeded insurance coverage in Fiscal Years 2010-11 through 2015-16. 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 will be capitalized by the District and will provide 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, 2017 from the amount set forth in the District's financial statements for Fiscal Year 2015-16. See Appendix B – "Comprehensive Annual Financial Report of the District for the Fiscal Year ended June 30, 2016" 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 – "Comprehensive Annual Financial Report of the District for the Fiscal Year ended June 30, 2016" 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 Analysis of Self-Insured Workers’ Compensation Program” dated July 27, 2016, recommended a minimum funding level between \$103.0 million (discounted at 1.5%) and \$121.8 million (undiscounted) for Fiscal Year 2016-17. The following Table A-22 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, 2015.

TABLE A-22

**LOS ANGELES UNIFIED SCHOOL DISTRICT
Recommended Minimum Funding Levels
Workers’ Compensation
Fiscal Years 2016-17 through 2018-19**

Fiscal Year	Recommended Minimum Funding Level (Discounted at 1.5%)	Budgeted Expenses for Claims Handling and Administration	Recommended Minimum Funding Level (Undiscounted)
2016-17	\$103,042,000	\$18,800,000	\$121,842,000
2017-18	102,138,000	19,400,000	121,538,000
2018-19	102,450,000	20,000,000	122,450,000

Source: Los Angeles Unified School District Actuarial Analysis of Self-Insured Workers’ Compensation Program as of December 31, 2015.

The following Table A-23 sets forth information on changes in the Workers Compensation Program’s liabilities from Fiscal Years 2011-12 through 2015-16. 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 2015-16 set forth in Appendix B hereto.

TABLE A-23

**LOS ANGELES UNIFIED SCHOOL DISTRICT
Workers’ Compensation Claims Paid
Fiscal Years 2011-12 through 2015-16
(\$ in millions)**

Fiscal Year	Liability: Beginning of Fiscal Year	Current Year Claims and Changes in Estimates	Claims Paid	Liability: End of Fiscal Year
2011-12	\$430.8	\$ 98.4	\$ (95.3)	\$434.0
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

Sources: Los Angeles Unified School District Comprehensive Annual Financial Reports for Fiscal Years 2011-12 through 2015-16.

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 \$54 million has been paid to District as of June 30, 2016.

Owner-Controlled Insurance Program. The District implemented an owner-controlled insurance program (“OCIP”) on May 1, 2006 (“OCIP II”) after the expiration of its initial OCIP. OCIP II covers new construction and renovation projects funded by school bonds. Under an OCIP, the District provides general liability and workers’ compensation insurance coverage to enrolled construction contractors. Builder’s risk and Contractors Pollution Liability coverage are also provided. The benefits derived from the large buying power of an OCIP, along with centralized risk management and safety creates savings that accrue for the District. Under OCIP II, workers’ compensation coverage with statutory limits, and primary and excess liability coverage with limits of \$100 million have been underwritten by six major insurance carriers. In addition, buildings under construction and renovation with project values under \$50 million, a portion of the costs of which are financed with the proceeds of District general obligation bond issues, are covered under PEP. Builder’s risk coverage for projects with construction values above \$50 million is currently covered under individual policies underwritten by various carriers. Savings to the District from May 1, 2006 through May 1, 2013 from OCIP II are estimated in the range of approximately \$68 million to \$117 million.

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 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. As a result, the complaint alleged that 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 is currently in the third year of the settlement program. The plaintiffs have requested that the District extend the term of the settlement agreement by three years to June 30, 2020. The proposal to extend the term of the settlement agreement is under consideration by the District. Nevertheless, the District has agreed to continue to provide additional administrative and teacher support to the 37 schools through June 30, 2018.

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, who are public school and public charter school students in the District and Alum Rock Union School District, allege that the hiring and continued employment of grossly ineffective teachers in the State public school system is the direct result of the continued enforcement of Education Code Sections 44929.21(b), 44934, 44938(b)(1), 44938(b)(2), 44944 and 44955 (collectively, the “Challenged Statutes”). The plaintiffs alleged that the continued enforcement of the Challenged Statutes causes negative impacts on students’ education, infringe upon California students’ right to education and cause disparate impacts from classroom to classroom and

school to school. Further, the plaintiffs alleged that the Challenged Statutes prevent administrators from making employment and dismissal decisions that benefit students due to, among other things, the cost to terminate ineffective teachers, the difficulty, complexity, and length of time associated with the removal process and the seniority basis of the layoff system. The District was dismissed from the lawsuit in 2013. In June 2014, the Superior Court of the State of California issued a decision which held that the provisions of the Challenged Statutes with respect to permanent employment, teacher dismissal, and the process pursuant to which the last-hired teacher is the first to be fired when layoffs occur violate the equal protection clause of the State Constitution. In addition, the Superior Court held that the Challenged Statutes disproportionately affect poor and minority students. The Superior Court stayed the injunction of the Challenged Statutes pending appellate review. In April 2016, the Court of Appeal reversed the Superior Court's decision regarding the Challenged Statutes. The plaintiffs have petitioned the California Supreme Court for review. 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 were filed on October 2015 against the District, former Superintendent Ramon C. Cortines, in his individual capacity, and other named parties entitled *Rafe Esquith vs. Los Angeles Unified School District, et al.* (collectively, the "*Esquith Class Complaint*") in the Los Angeles County Superior Court. The *Esquith Class Complaint* alleges that Rafe Esquith, a teacher who was ultimately discharged by the District, and other members of the class described therein 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. In addition, the petitioners have alleged age discrimination, whistleblower retaliation, and wrongful discharge in violation of public policy. The petitioners seek injunctive relief to prevent the alleged practices set forth in the *Esquith Class Complaint* and general and special damages in the aggregate amount of \$1 billion. To date, the public policy wrongful discharge claim and the claims against former Superintendent Cortines have been dismissed. Accordingly, former Superintendent Mr. Cortines has been dismissed from the *Esquith Class Complaint* with prejudice. The District has also filed a motion to dismiss the claims under 42 U.S.C. §1983, which was granted by the federal court. In connection therewith, the federal judge remanded the case back to State court. The plaintiff's deadline to file a motion for class certification is on June 30, 2017 and a status conference is scheduled on July 14, 2017. The District cannot predict the outcome of or remedy imposed by any court with respect to *Esquith Class Complaint* or how any final court decision with respect to the *Esquith Class Complaint* would affect the financial status of the District. 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 Refunding Bonds as and when due.

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 I, 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. 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 Refunding Bonds as and when due.

Litigation regarding Proposition 39 Charter School Facilities. In May 2010, a complaint alleging breach of a settlement agreement and violation of Education Code section 47614 and its implementing regulations, Proposition 39, and seeking specific performance, permanent injunction, appointment of special master and declaratory relief, was filed against the District, the District Board, and former Superintendent Ramon Cortines in his capacity as Superintendent, by the California Charter Schools Association (“CCSA”) on behalf of its member charter schools. The petitioners in *California Charter Schools Association vs. Los Angeles Unified School District, et. al.* (the “CCSA Complaint”) have alleged, among other things, the District failed to comply with a 2008 settlement agreement between the District and CCSA (the “Settlement Agreement”) that resolved prior litigation regarding the District’s compliance with Proposition 39. Proposition 39 requires that each school district make available, to each charter school operating in the school district, facilities sufficient for the charter school to accommodate all of the charter school’s in-district students in conditions reasonably equivalent to those in which the students would be accommodated if they were attending other public schools of such school district. In addition, Proposition 39 requires that such facilities be contiguous, furnished, and equipped, and remain the property of the school district. CCSA contended that the District had failed to fulfill its obligations to charter schools under Proposition 39 and the Settlement Agreement and alleged that the District did not provide any facilities to certain qualifying charter schools for the 2010-2011 school year. CCSA further alleged that the District had not replaced previous District policies with respect to Proposition 39 or completed an inventory of available school facilities in accordance with the Settlement Agreement.

During the course of the litigation, the Superior Court ordered the District to comply with Proposition 39. The District prevailed against CCSA’s allegations regarding the District’s corrective actions for the 2010-11 school year. Nevertheless, CCSA challenged the District’s allocation of space for the 2011-12 school year and sought to enforce the Superior Court’s prior order. The Superior Court concurred with CCSA’s contention that the District’s allocation of classroom space to charter schools for the 2011-12 school year violated Proposition 39 and obligated the District to issue new offers. In response to the District’s appeal of the Superior Court’s order, the California Court of Appeal issued a published opinion in the District’s favor and reversed the Superior Court’s order. The California Supreme Court subsequently granted review. In May 2015, the California Supreme Court held that a school district, in responding to a charter school’s future Proposition 39 facilities request, must identify comparison group schools as prescribed by the California Code of Regulations, count the total number of classrooms in the comparison group schools and adjust that number to reflect only those classrooms

actually provided to school district students, and use the resulting number as the denominator in the ADA/classroom ratio when allocating facilities to charter schools.

The term of the Settlement Agreement has since expired. However, in June 2016, CCSA amended the CCSA Complaint to seek a judicial declaration that the District's facilities offers to charter schools for the 2016-17 school year did not comply 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 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 Refunding 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. The District cannot predict whether CCSA will file an appeal to the court's 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 Refunding Bonds as and when due.

Litigation regarding the Local Control Funding Formula. A complaint for declaratory and injunctive relief and petition for writ of mandate was filed in July 2015 against the District, former Superintendent Ramon C. Cortines, in his official capacity as Superintendent, and Arturo Delgado, in his official capacity as the Los Angeles County Superintendent of Schools (collectively, the "Respondents"), entitled *California Coalition of South Los Angeles and Reyna Frias v. Los Angeles Unified School*

District, et. al. (the “*Frias Complaint*”) in the Los Angeles County Superior Court. The petitioners alleged in the *Frias Complaint* that the District violated the Education Code and LCFF regulations by, among other things, counting \$450 million of general fund expenditures for special education services that the District estimates was provided to Unduplicated Pupils in its estimate of funds expended on Unduplicated Pupils in Fiscal Year 2013-14. The petitioners claim that special education services may not be considered services for Unduplicated Pupils and the use of those general fund expenditures as a component of the expenditures for Unduplicated Pupils is erroneous. Further, the petitioners allege that such calculations impact all calculations for subsequent years. In addition, the petitioners have sought a writ of mandate based on their allegation that the District has violated its mandatory duties under the California Code of Regulations and the Education Code to properly estimate the amount of funds expended on services for Unduplicated Pupils. Petitioners believe that there is a regulatory distinction between services provided for Unduplicated Pupils and services provided for all pupils.

The District submitted its initial LCAP to LACOE in July 2014 and has submitted all subsequent required LCAPs to LACOE. On June 21, 2016, the District Board adopted the LCAP for the District for Fiscal Year 2016-17 and submitted the LCAP to LACOE in accordance with the Education Code. See “State Funding of School Districts – Local Control Funding Formula – Local Control Accountability Plan” herein. Although LACOE has approved the District’s previous LCAPs, the petitioners in the *Frias Complaint* allege that the County Superintendent violated his mandated legal duties to reject the previous LCAPs, which the petitioners claimed did not comport with the California Code of Regulations and the Education Code. The petitioners seek, among other things, a declaratory judgment that the District’s conduct violates the California Code of regulations and the Education Code and have requested that the court issue an order prohibiting the Respondents and all those acting in concert with the Respondents from using the policies and practices challenged in the *Frias Complaint*. The Education Code provides that school districts must provide a remedy to all affected pupils in the event the school district, the county superintendent or State Superintendent of Public Instruction finds merit in a complaint that an LCAP does not comply with the Education Code. The District received the CDE Decision regarding proportionality and applied the Realignment Exercise to its Fiscal Year 2016-17 First Interim Report and Fiscal Year 2016-17 Second Interim Report. See “District Financial Information District Budget – Expenditures for Unduplicated Pupils,” “– Realignment Exercise,” “– Second Interim Report for Fiscal Year 2016-17,” and “– Fiscal Stabilization Plan” herein. The *Frias Complaint* and LCAP complaint have not yet been resolved. The District cannot predict the final outcome of or remedy imposed by any court or the CDE with respect to the *Frias Complaint* or LCAP complaint or the responses, if any, of the Los Angeles County Superintendent of Schools. However, the District does not expect any decisions or change in law to adversely affect the ability of the District to pay the principal of and interest on the Refunding Bonds as and when due.

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 which directed the District to establish funds and make appropriations for the claimants named therein relating to health, education, and monetary compensation.

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 2016-17 Second Interim Report reflects approximately \$50 million in legal costs and potential settlements. See "District Financial Information – District Budget and Interim Financial Estimates" herein. 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 Refunding Bonds as and when due.

District Debt

General Obligation Bonds. From July 1997 through March 2003, the District issued the entire amount of general obligation bonds pursuant to a \$2,400,000,000 authorization approved by voters in the April 8, 1997 election (the "Proposition BB Authorization"). From May 2003 to May 2010, the District issued the entire amount of general obligation bonds pursuant to a \$3,350,000,000 authorization approved by voters in the 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 \$3,602,850,000 of aggregate principal amount of Measure Y general obligation bonds. A \$7,000,000,000 general obligation bond authorization was approved by voters on November 4, 2008 (the "Measure Q Authorization"). The District has issued \$648,955,000 of aggregate principal amount of Measure Q general obligation bonds.

Pursuant to Section 1(b)(3) of Article XIII A of the State Constitution, Chapters 1 and 1.5 of Part 10 of Division 1 of Title 1 of the State Education Code, as amended, and other applicable law (collectively, the "Act"), the District Board has appointed a Citizens' Bond Oversight Committee. The Citizen's Bond Oversight Committee is composed of 15 members representing numerous community groups and operates to inform the public concerning the spending of Measure K, Measure R, Measure Y and Measure Q Authorization bond funds authorized by the Act. There are presently four vacant

positions on the Citizen's Bond Oversight Committee. 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 May 1, 2017)

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
Greg Good	Office of the Mayor, City of Los Angeles
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
Kathryn Steinberg	31 st District Parent Teacher Student Association
Arlene Barrera	Los Angeles County Auditor-Controller's Office (Alternate)

The following Table A-24, Table A-25, Table A-26, Table A-27 and Table A-28 set forth the outstanding series of general obligation bonds and the amount outstanding as of May 1, 2017 under the Proposition BB, Measure K, Measure R, Measure Y and Measure Q Authorizations, respectively.

TABLE A-24

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

Bond Issue	Aggregate Principal Amount	Outstanding Amount as of May 1, 2017	Date of Issue
2002 Refunding Bonds ⁽¹⁾	\$258,375	\$15,215	April 17, 2002
2005 Refunding Bonds Series A-1 ⁽¹⁾	346,750	71,850	July 20, 2005
2005 Refunding Bonds Series A-2 ⁽¹⁾	120,925	14,790	July 20, 2005
2007 Refunding Bonds, Series A-2 ⁽¹⁾	136,055	136,055	January 31, 2007
2007 Refunding Bonds, Series B ⁽¹⁾	24,845	24,650	February 22, 2007
2009 Refunding Bonds, Series A ⁽¹⁾	51,090	24,095	October 15, 2009
2011 Refunding Bonds, Series A-1 ⁽¹⁾	206,735	146,935	November 1, 2011
2014 Refunding Bonds, Series A ⁽¹⁾	196,850	142,415	June 26, 2014
2015 Refunding Bonds, Series A ⁽¹⁾	326,045	318,085	May 28, 2015
2016 Refunding Bonds, Series A ⁽¹⁾	<u>202,420</u>	<u>199,000</u>	April 5, 2016
TOTAL	<u>\$1,870,090</u>	<u>\$1,093,090</u>	

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

Source: Los Angeles Unified School District.

TABLE A-25

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

Bond Issue	Aggregate Principal Amount	Outstanding Amount as of May 1, 2017	Date of Issue
2007 Refunding Bonds, Series A-1 ⁽¹⁾	\$1,153,195	\$1,114,725	January 31, 2007
Series B Bonds (2007)	500,000	17,510	February 22, 2007
Series C Bonds (2007)	150,000	4,840	August 16, 2007
Series D Bonds (2009)	250,000	200,950	February 19, 2009
Series KRY Bonds (2009)	200,000	200,000	
(Federally Taxable Build America Bonds)			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	146,930	November 1, 2011
2012 Refunding Bonds, Series A ⁽¹⁾	59,190	46,370	May 8, 2012
2014 Refunding Bonds, Series B ⁽¹⁾	323,170	323,170	June 26, 2014
2016 Refunding Bonds, Series A ⁽¹⁾	226,040	222,560	April 5, 2016
2016 Refunding Bonds, Series B ⁽¹⁾	<u>227,535</u>	<u>227,535</u>	September 15, 2016
	<u>\$3,439,340</u>	<u>\$2,649,840</u>	

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

Source: Los Angeles Unified School District.

TABLE A-26

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

Bond Issue	Aggregate Principal Amount	Outstanding Amount as of May 1, 2017	Date of Issue
Series H Bonds (2007)	\$550,000	\$17,560	August 16, 2007
Series I Bonds (2009)	550,000	434,655	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	20,085	October 15, 2009
Series RY Bonds (2010) (Federally Taxable Build America Bonds)	477,630	477,630	March 4, 2010
Series KRY Bonds (2010) (Tax-Exempt)	157,165	157,165	March 4, 2010
2012 Refunding Bonds, Series A ⁽¹⁾	95,840	93,140	May 8, 2012
2014 Refunding Bond, Series C ⁽¹⁾	948,795	934,275	June 26, 2014
Series J Bonds (2014)	68,170	12,285	August 19, 2014
Series K Bonds (2014)	7,045	1,235	August 19, 2014
2016 Refunding Bonds, Series A ⁽¹⁾	56,475	55,635	April 5, 2016
2016 Refunding Bonds, Series B ⁽¹⁾	<u>176,455</u>	<u>176,455</u>	September 15, 2016
TOTAL	<u>\$3,487,575</u>	<u>\$2,743,125</u>	

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

Source: Los Angeles Unified School District.

TABLE A-27

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

Bond Issue	Aggregate Principal Amount	Outstanding Amount as of May 1, 2017	Date of Issue
Series E Bonds (2007)	\$300,000	\$9,700	August 16, 2007
Series F Bonds (2009)	150,000	120,905	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	31,450	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	29,100	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	14,480	August 19, 2014
Series L Bonds (2014)	25,150	4,410	August 19, 2014
2016 Refunding Bonds, Series A ⁽¹⁾	92,465	90,985	April 5, 2016
2016 Refunding Bonds, Series B ⁽¹⁾	<u>96,865</u>	<u>96,865</u>	September 15, 2016
TOTAL	<u>\$3,541,770</u>	<u>\$2,870,475</u>	

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

Source: Los Angeles Unified School District.

TABLE A-28

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

Bond Issue	Aggregate Principal Amount	Outstanding Amount as of May 1, 2017	Date of Issue
Series A Bonds (2016)	<u>\$648,955</u>	<u>\$648,955</u>	April 5, 2016
TOTAL	<u>\$648,955</u>	<u>\$648,955</u>	

Source: Los Angeles Unified School District.

Certificates of Participation. As of May 1, 2017, the District had outstanding lease obligations issued in the form of COPs in the aggregate principal amount of approximately \$235.5 million. The District estimates that the aggregate payment of principal and interest evidenced by COPs will be approximately \$300.011 million 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 following Table A-29 sets forth the District's lease obligations paid from the District General Fund and developer fees with respect to its outstanding COPs as of May 1, 2017.

TABLE A-29

LOS ANGELES UNIFIED SCHOOL DISTRICT
Certificates of Participation Lease Obligations Debt Service Schedule⁽¹⁾
(as of May 1, 2017)
(\$ in thousands)

Fiscal Year Ending (June 30)	Paid From General Fund⁽²⁾⁽³⁾	Paid From Developer Fees⁽⁴⁾	Fiscal Year Total Debt Service
2017	\$ 1,601	\$ 406	\$ 2,007
2018	23,052	16,886	39,938
2019	25,043	--	25,043
2020	24,955	--	24,955
2021	24,864	--	24,864
2022	17,532	--	17,532
2023	17,429	--	17,429
2024	16,668	--	16,668
2025	16,048	--	16,048
2026	16,218	--	16,218
2027	16,163	--	16,163
2028	16,112	--	16,112
2029	16,037	--	16,037
2030	14,147	--	14,147
2031	14,073	--	14,073
2032	14,001	--	14,001
2033	2,277	--	2,277
2034	2,222	--	2,222
2035	2,169	--	2,169
2036	<u>2,108</u>	<u>--</u>	<u>2,108</u>
Total⁽⁵⁾	<u>\$282,719</u>	<u>\$17,292</u>	<u>\$300,011</u>

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

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

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

⁽⁴⁾ Developer fees are used to satisfy debt service payments on a portion of the District's outstanding lease obligations. The General Fund is obligated to pay these obligations in the event that insufficient developer fees are available to pay these lease obligations, subject to the terms of the lease. The District plans to pay a portion of the final debt service on such lease obligations during Fiscal Year 2017-18 from developer fees and amounts released from the related debt service reserve fund for Fiscal Year 2017-18 with funds from developer fees.

⁽⁵⁾ Totals 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, 2016 was reduced by 6.8% and will be reduced by 6.9% for the federal Fiscal Year ended September 30, 2017. During the federal Fiscal Year ending September 30, 2017, the District expects that the sequester will result in a reduction in the aggregate amount of approximately \$5.1 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 \$42,000 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, Measure Y or Measure Q Authorization, as applicable, if the tax rate levied to meet the debt service requirements under the related Authorization for general obligation bonds is projected to exceed \$60 per year per \$100,000 of taxable property in accordance with Article XIII A of the State Constitution. See “California Constitutional and Statutory Provisions Relating to *Ad Valorem* Property Taxes, District Revenues and Appropriations – Article XIII A” and “ – Proposition 39” herein.

The District has approximately \$159,990,000 authorized and unissued general obligation bond authorization remaining under the Measure R Authorization and \$382,150,000 authorized and unissued general obligation bond authorization remaining under the Measure Y Authorization. The District has approximately \$6,351,045,000 authorized and unissued general obligation bond authorization remaining under the Measure Q Authorization.

Pursuant to the Education Code, the District’s bonding capacity for general obligation bonds may not exceed 2.5% of taxable property valuation in the District as shown by the last equalized assessment roll of the County. Pursuant to Sections 15106 of the Education Code, the District’s bonding capacity for

general obligation bonds may not exceed 2.5% of taxable property value in the District as shown by the last equalized assessment of the County. The taxable property valuation in the District for Fiscal Year 2016-17 is approximately \$606.0 billion, which results in a total current bonding capacity of approximately \$15.1 billion. The District's available capacity for the issuance of new general obligation bonds is approximately \$5.1 billion (taking into account the current outstanding debt before the issuance of the Refunding Bonds). The Fiscal Year 2016-17 assessed valuation of property within the District's boundaries of approximately \$606.0 billion reflects an increase of 6.28% from Fiscal Year 2015-16. See "Security and Sources of Payment for the Refunding Bonds – Assessed Valuation of Property within the District" in the forepart of this Official Statement and "California Constitutional and Statutory Provisions relating to *Ad Valorem* Property Taxes, District Revenues and Appropriations – Article XIII A of the State Constitution" herein.

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

Lease Revenue Financings. The District may finance capital projects through the execution and delivery of certificates of participation or other obligations secured by general fund lease payments from time to time, but it does not presently expect to issue any COPs during Fiscal Year 2016-17. 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 2016-17 or 2017-18. 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) or the Municipal Advisor 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), or the Municipal Advisor 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

2016-17 State Budget. The Governor signed the Fiscal Year 2016-17 State budget (the "2016-17 State Budget") on June 27, 2016. The 2016-17 State Budget sets forth a balanced budget for Fiscal Year 2016-17 and allocates funds from Proposition 2 to pay down outstanding budgetary borrowing and retirement liabilities of the State and University of California. The 2016-17 State Budget estimates that total resources available in Fiscal Year 2015-16 totaled approximately \$120.45 billion (including a prior year balance of \$3.4 billion) and total expenditures in Fiscal Year 2015-16 totaled approximately \$115.57 billion. The 2016-17 State Budget projects total resources available for Fiscal Year 2016-17 of \$125.18 billion, inclusive of revenues and transfers of \$120.31 billion and a prior year balance of \$4.87 billion. The 2016-17 State Budget projects total expenditures of \$122.47 billion, inclusive of non-Proposition 98 expenditures of \$71.42 billion and Proposition 98 expenditures of \$51.05 billion. The 2016-17 State Budget proposes to allocate \$966 million of the General Fund's projected fund balance to the Reserve for Liquidation of Encumbrances and \$1.75 billion of such fund balance to the State's Special Fund for Economic Uncertainties. In addition, the 2016-17 State Budget estimates the Rainy Day Fund will have a fund balance of \$6.71 billion.

Certain budgeted adjustments for K-12 education set forth in the 2016-17 State Budget include the following:

- School District Local Control Funding Formula. The 2016-17 State Budget includes an increase of more than \$2.9 billion to continue the implementation of the Local Control Funding Formula. The 2016-17 State Budget proposes to commit most new funding to Supplemental Grants and Concentration Grants. The Governor estimates that the budgeted increase will bring the total Local Control Funding Formula implementation to 96%.
- Proposition 98 Minimum Guarantee. The 2016-17 State Budget includes Proposition 98 funding of \$71.9 billion, inclusive of State and local funds, for Fiscal Year 2016-17. Such amount is expected to satisfy the Proposition 98 minimum guarantee for Fiscal Year 2016-17.
- Mandate Claims. The 2016-17 State Budget proposes to allocate approximately \$1.3 billion in one-time moneys to reduce outstanding mandate claims by K-12 local education agencies. The State expects such funds to be used for activities including, among others, deferred maintenance, professional development, induction for beginning teachers, instructional materials, technology and the implementation of new educational standards.
- College Readiness Block Grant. The 2016-17 State Budget includes a one-time increase of \$200 million of Proposition 98 General Fund resources for grants to school districts and charter schools that serve high school students. The State will direct grant recipients to such funds be used to support access to higher education and transition to higher education.
- Integrated Teacher Preparation Grant Program. The 2016-17 State Budget includes a one-time allocation of \$10 million from the Proposition 98 portion of the General Fund to the Integrated Teacher Preparation Grant Program, which provides competitive grants to colleges and universities to develop or improve teacher credential programs.
- Classified School Employees Credentialing Program. The 2016-17 State Budget includes a one-time allocation of \$20 million from the Proposition 98 portion of the General Fund to establish a credentialing program that recruits non-certified school employees and prepares them to become certificated classroom teachers.
- California Center on Teacher Careers. The 2016-17 State Budget includes a one-time increase of \$5 million of Proposition 98 General Fund resources to establish a multi-year competitive grant, which will be awarded to a local education agency to establish and operate the California Center on Teaching Careers. The California Center on Teaching Careers, once established, will recruit individuals to the teaching profession, host a referral database for teachers seeking employment, develop and distribute recruitment publications, conduct outreach activities to high school and college students, provide statewide public service announcements related to teacher recruitment, and provide prospective teachers information on credential requirements, financial aid and loan assistance programs.
- California Collaborative for Educational Excellence. The 2016-17 State Budget provides a one-time increase of \$24 million to the Proposition 98 portion of the General Fund for

the California Collaborative for Educational Excellence to, among other things, support statewide professional development training relating to evaluation methods and metrics and implement a pilot program related to advising and assisting local education agencies on improving pupil outcomes.

- Safe Drinking Water in Schools. The 2016-17 State Budget includes an increase of \$9.5 million of one-time Proposition 98 General Fund resources to create a grant program to improve access to safe drinking water for schools located in isolated areas and economically disadvantaged areas. The program will be developed and administered by the State Water Resources Control Board in consultation with the CDE.
- Charter School Startup Grants. The 2016-17 State Budget allocates an increase of \$20 million of one-time Proposition 98 General Fund resources to support operational startup costs for new charter schools in 2016 and 2017. Such allocation is expected to partially offset the loss of federal funding previously available for such purpose.
- Multi-Tiered Systems of Support. The 2016-17 State Budget allocates an increase of \$20 million of one-time Proposition 98 General Fund resources to build upon the \$10 million investment included in the 2015-16 State Budget for an increased number of local educational agencies to provide academic and behavioral supports in a coordinated and systematic way. The State expects such funds to, among other things, assist local education agencies as they provide services that support academic, behavioral, social and emotional needs and improve outcomes for students.
- Proposition 47. Proposition 47 (2014) requires a portion of any State savings which have resulted from the State's reduced penalties for certain non-serious and non-violent property and drug offenses, to be allocated to K-12 truancy and dropout prevention, victim services, and mental health and drug treatment. The 2016-17 State Budget includes an increase of \$18 million on a one-time basis to the Proposition 98 portion of the General Fund allocated to a grant program for truancy and dropout prevention.

The complete 2016-17 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.

2017-18 Proposed State Budget. The Governor released his proposed fiscal year Proposed 2017-18 State Budget (the "Proposed 2017-18 State Budget") on January 10, 2017. The Proposed 2017-18 State Budget sets forth a balanced budget for Fiscal Year 2017-18. However, the Governor cautions that the State's projected revenues are approximately \$5.8 billion lower than projected for 2015-16 through 2017-18 and, absent corrective action, could lead to annual deficits of \$1 billion to \$2 billion. The Proposed 2017-18 State Budget estimates that total resources available in Fiscal Year 2016-17 totaled approximately \$123.79 billion (including a prior year balance of \$5.0 billion) and total expenditures in Fiscal Year 2016-17 totaled approximately \$122.76 billion. The Proposed 2017-18 State Budget projects total resources available for Fiscal Year 2017-18 of \$125.05 billion, inclusive of revenues and transfers of \$124.03 billion and a prior year balance of \$1.03 billion. The Proposed 2017-18 State Budget projects total expenditures of \$122.52 billion, inclusive of non-Proposition 98 expenditures of \$71.17 billion and Proposition 98 expenditures of \$51.35 billion. The 2016-17 State Budget proposes to allocate \$980 million of the General Fund's projected fund balance to the Reserve for Liquidation of Encumbrances and \$1.55 billion of such fund balance to the State's Special Fund for Economic

Uncertainties. In addition, the Proposed 2017-18 State Budget estimates the Rainy Day Fund will have a fund balance of \$7.87 billion.

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

- School District Local Control Funding Formula. The Proposed 2017-18 State Budget includes an increase of more than \$744 million to continue the transition to full implementation of the Local Control Funding Formula. The Governor estimates that the Local Control Funding Formula's implementation will reach 96 percent in Fiscal Year 2017-18.
- Proposition 98 Minimum Guarantee. The Proposed 2017-18 State Budget proposes to fund the Proposition 98 minimum guarantee in Fiscal Year 2016-17 and 2017-18. However, due to changes in workload factors and budgetary adjustments, the Governor's calculation of the Proposition 98 minimum guarantee will be approximately \$55.5 million and \$113.5 million less than previously projected for fiscal years 2015-16 and 2016-17, respectively. The Proposed 2017-18 State Budget projects a Proposition 98 minimum guarantee of \$73.5 billion in 2017-18.
- One-Time Local Control Funding Formula Cost Shift. The Proposed 2017-18 State Budget proposes to shift \$859.1 million in Local Control Funding Formula expenditures from June 2017 to July 2017 in order to maintain 2016-17 programmatic expenditure levels. The Proposed 2017-18 State Budget will repay this deferral in 2017-18.
- One-Time Discretionary Funding. The Proposed 2017-18 State Budget includes an increase of \$287 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.
- Career Technical Education Funding. The Proposed 2017-18 State Budget includes \$200 million for the Career Technical Education Incentive Grant Program, the final installment of funding for this three-year program.
- County Offices of Education Local Control Funding Formula. The Proposed 2017-18 State Budget includes an increase of \$2.4 million Proposition 98 General Fund resources to support a cost-of-living adjustment and average daily attendance changes for county offices of education.
- Charter School Growth. The Proposed 2017-18 State Budget includes an increase of \$93 million Proposition 98 General Fund resources to support projected charter school average daily attendance growth.
- Special Education. The Proposed 2017-18 State Budget includes a decrease of \$4.9 million Proposition 98 General Fund resources to reflect a projected decrease in special education average daily attendance.
- Local Property Tax Adjustments. The Proposed 2017-18 State Budget includes a decrease of \$922.7 million in Proposition 98 General Fund resources for school districts

and county offices of education in 2017-18 as a result of increased offsetting local property tax revenues.

- School District Average Daily Attendance. The Proposed 2017-18 State Budget includes a decrease of \$63.1 million in Fiscal Year 2017-18 for school districts as a result of a projected decline in average daily attendance.
- Cost-of-Living Adjustments. The Proposed 2017-18 State Budget includes an increase of \$58.1 million Proposition 98 General Fund resources to support a 1.48-percent cost-of-living adjustment for categorical programs that remain outside of the Local Control Funding Formula, including Special Education, Child Nutrition, Foster Youth, American Indian Education Centers, and the American Indian Early Childhood Education Program.
- California Clean Energy Jobs Act. The California Clean Energy Jobs Act of 2012 increases state corporate tax revenues, and requires half of the increased revenues, up to \$550 million per year, to be used to support energy efficiency for fiscal years 2013-14 through 2017-18. The Proposed 2017-18 State Budget includes \$422.9 million to support school district and charter school energy efficiency projects.
- Proposition 47. Proposition 47 (2014) requires a portion of any State savings which have resulted from the State's reduced penalties for certain non-serious and non-violent property and drug offenses, to be allocated to K-12 truancy and dropout prevention, victim services, and mental health and drug treatment. The Proposed 2017-18 State Budget includes \$10.1 million to support investments aimed truancy and dropout prevention among K-12 public school pupils.
- Proposition 56. Proposition 56 (2016) requires a portion of the revenues from the increased cigarette tax and the tax on other tobacco products to be used for school programs that prevent and reduce the use of tobacco and nicotine products by youths. The Proposed 2017-18 State Budget includes \$29.9 million to support tobacco and nicotine prevention and reduction programs at K-12 schools.
- Kindergarten Through Community College Public Education Facilities Bond Act. Proposition 51 (defined herein) authorized \$7 billion in State general obligation bonds for K-12 schools. The Proposed 2017-18 State Budget states that the Governor will support the expenditures of Proposition 51 funds after, among other things, legislation is approved regarding bond expenditures audit requirements and the State Allocation Board and Office of Public School Construction revise policies and regulations for school participants that request funding through the school facilities program. See "California Constitutional and Statutory Provisions Relating to *Ad Valorem* Property Taxes, District Revenues and Appropriations – State School Facilities Bonds – Proposition 51" herein.

The complete Proposed 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.

May Revision to the 2017-18 Proposed State Budget. The Governor released the May Revision to the proposed Fiscal Year 2017-18 State budget (the "2017-18 May Revision") on May 11, 2017. The 2017-18 May Revision proposes a balanced budget for Fiscal Year 2017-18. The May Revision projects an increase of \$2.5 billion in General Fund revenues as compared to the 2017-18 Proposed State Budget.

The Governor proposes to use the increase in projected revenues to advance certain executive priorities, including, among other things, schools, county fiscal health and reduced pension liabilities. The 2017-18 May Revision estimates that total resources available in Fiscal Year 2016-17 will be approximately \$123.05 billion (including revenues and transfers of \$118.54 billion and a prior year balance of \$4.51 billion) and total expenditures in Fiscal Year 2016-17 will be approximately \$122.33 billion. The 2017-18 May Revision projects total resources available for Fiscal Year 2017-18 of \$126.63 billion, inclusive of revenues and transfers of \$125.91 billion and a prior year balance of \$723 million. The 2017-18 May Revision projects total expenditures in Fiscal Year 2017-18 of \$124.02 billion, inclusive of non-Proposition 98 expenditures of \$71.17 billion and Proposition 98 expenditures of \$52.85 billion. The 2017-18 May Revision proposes to allocate \$980 million of the General Fund's projected fund balance to the Reserve for Liquidation of Encumbrances and \$1.64 billion of such fund balance to the State's Special Fund for Economic Uncertainties.

The improved budget forecast since the Governor's 2017-18 Proposed State Budget results from, among other things, performance of the stock market. Although the 2017-18 May Revision assumes continued economic expansion in Fiscal Year 2017-18, its forecasts are limited by risks such as recession and changes to federal fiscal policy, including proposed major changes to healthcare, trade, immigration and tax policy. By the end of Fiscal Year 2017-18, the 2017-18 May Revision projects that the State's Proposition 2 Rainy Day Fund will have a total balance of approximately \$8.5 billion, which amount is 66% percent of the target under the State Constitution.

The 2017-18 May Revision includes total funding of \$92.3 billion for all K-12 education programs, including \$54.2 billion from the General Fund and \$38.1 billion from other funds.

Certain workload adjustments and budgetary proposals for K-12 education set forth in the 2017-18 May Revision include the following:

- Proposition 98 Minimum Guarantee. The 2017-18 May Revision projects Proposition 98 funding of \$74.6 billion, inclusive of State and local funds, for Fiscal Year 2017-18. Such amount is expected to satisfy the Proposition 98 minimum guarantee for Fiscal Year 2017-18.

- Proposition 98 Adjustments. The 2017-18 May Revision rescinds the Governor's proposals to defer approximately \$859 million in LCFF funding from June 2017 to July 2017 and to allocate approximately \$324 million in Proposition 98 expenditures to Fiscal Year 2016-17 instead of Fiscal Year 2015-16, which were proposed in the 2017-18 Proposed State Budget. In connection therewith, the 2017-18 May Revision proposes to allocate the \$535 million net increase in Proposition 98 expenditures to the State's outstanding settle-up obligation under Proposition 98 minimum guarantee.

- Proposition 98 Settle-Up Obligations. In connection with the suspension of the Proposition 98 minimum guarantee in prior fiscal years, the State owes approximately \$1.04 billion to school districts and community colleges. The 2017-18 May Revision proposes to allocate approximately \$603 million in fiscal Year 2017-18 to settle-up payments, which amount will include amounts allocable to LCFF expenditures, the Career Technical Education Incentive Grant program, and the Guided Pathways Programs.

- Supplemental Appropriations. Under State law, the State is required to provide a supplemental appropriation when Test 3 (defined herein) of Proposition 98 is operative and the minimum guarantee would otherwise grow less quickly than the rest of the State budget. See "California Constitutional and Statutory Provisions Relating to *Ad Valorem* Property Taxes, District Revenues and Appropriations – Proposition 98" herein. The 2017-18 May Revision proposes to suspend the statutory supplemental appropriation under Test 3 of Proposition 98 in Fiscal Year 2016-17 and Fiscal Years

2018-19 through 2020-21. Pursuant to Proposition 98, any funding reduced through the suspension of the supplemental appropriations is automatically added to the State's maintenance factor obligation.

- School District Local Control Funding Formula. The 2017-18 May Revision proposes to increase funding for the LCFF by approximately \$1.4 billion compared to Fiscal Year 2016-17. The Governor proposes to use the increase to reduce the remaining funding gap between actual funding and the target level of funding. The Governor estimates that, if such funding level is approved, the LCFF will reach approximately 97% of full implementation in Fiscal Year 2017-18.

- Local Property Tax Adjustments. The 2017-18 May Revision proposes an increase of \$188.7 million of Proposition 98 General Fund in Fiscal Year 2016-17 and \$327.9 million in Fiscal Year 2017-18 for school districts, special education local plan areas, and county offices of education as a result of lower offsetting property tax revenues in both years.

- Average Daily Attendance. As a result of a smaller than expected decrease in overall ADA growth between Fiscal Years 2016-17 and 2017-18, the 2017-18 May Revision reflects an increase in ADA funding of \$26.2 million in Fiscal Year 2016-17 and \$74.1 million in Fiscal Year 2017-18 for school districts, charter schools, and county offices of education under the LCFF.

- California Clean Energy Jobs Act of 2012. The 2017-18 May Revision proposes to decrease the amount of energy efficiency funds available to K-12 schools under the California Clean Energy Jobs Act in Fiscal Year 2017-18 by \$46.7 million to reflect reduced revenue estimates. If approved, the State would provide approximately \$376.2 million of funds in Fiscal Year 2017-18 under the California Clean Energy Jobs Act.

- Categorical Program Growth. The 2017-18 May Revision proposes to increase the Proposition 98 General Fund by \$2.4 million based on updated estimates of projected ADA growth.

- Cost of Living Adjustment. The 2017-18 May Revision proposes to increase the Proposition 98 General Fund by \$3.2 million for selected categorical programs including special education, childhood nutrition, and The American Indian Education Center programs, during Fiscal Year 2017-18. Such decrease reflects a change in the cost of living set forth in the 2017-18 Proposed State Budget of 1.48% to 1.56% in the May Revision.

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

LAO Analysis of the May Revision of 2017-18 Proposed State Budget Education Proposals. The Legislative Analyst's Office ("LAO"), a nonpartisan State office which provides fiscal and policy information and advice to the State Legislature, released its report on the education proposals included in the May Revision entitled "The 2017-18 Budget: Analysis of the May Revision Education Proposals" on May 15, 2017 (the "May Revise Analysis"). In the May Revise Analysis, the LAO notes that the proposals in the May Revision differ from prior years by, among other things, proposing to fund education at levels above instead of equal to the Proposition 98 minimum guarantee. Under the May Revision, the State proposes to provide approximately \$1.6 billion more than the Proposition 98 minimum guarantee over the period from Fiscal Year 2015-16 through Fiscal Year 2017-18. In addition, the LAO notes that the May Revise includes \$594 million in higher Proposition 98 General Fund support to cover lower property tax estimates.

Under the May Revision, the LAO states that Proposition 98 funding by the end of Fiscal Year 2017-18 is approximately \$601 million higher than if the State had funded the minimum guarantee each year. Under Proposition 98, the minimum guarantee is calculated based on, among other things, the level of funding provided in the previous year. Accordingly, the LAO maintains that the proposals in the May Revision would, if adopted, commit the State to a higher Proposition 98 minimum guarantee in Fiscal Year 2017-18 and in future years. The LAO suggests that a higher minimum guarantee in future years may make future budgets more difficult to balance, especially during economic slowdowns and recessions. In addition, the LAO cautions that higher Proposition 98 guarantees reduce funding available for the State's non-Proposition 98 priorities.

The LAO challenges the Governor's growth assumptions in the May Revision. The May Revision assumes a 4.7% per capita General Fund revenue growth, but the LAO estimates a growth rate of 3.9%. Using the LAO's growth rate estimate, the 2017-18 minimum guarantee is roughly \$500 million lower than the Governor's estimate. To address these discrepancies, the LAO notes that the Governor's proposals contain contingencies, which, if implemented, would reduce K-12 discretionary funding by about \$450 million and community college deferred maintenance funding by about \$50 million to align Proposition 98 funding with the lower minimum guarantee. The LAO acknowledges that the State could adjust reserved school funding without making reductions to LCFF or ongoing school programs to address risks such as economic downturns or recessions. In addition, the LAO acknowledges that the State's proposed suspension of supplemental appropriations under Test 3 of Proposition 98 may also provide budgetary relief. Further, the LAO states that, if the State were to suspend the supplemental appropriations in the future rather than authorize them automatically, the State Legislature would have additional options to balance the budget while preserving the State's ability to provide any amount of funding in excess of the Proposition 98 minimum guarantee.

The May Revise Analysis is available on the LAO website at www.lao.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 2017-18, 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 2017-18 from the 2017-18 Proposed State Budget or the May Revision to the Proposed 2017-18 State Budget. Additionally, the District cannot predict the impact that the final State Budget Act for Fiscal Year 2017-18, or subsequent budgets, will have on its finances and operations. The final State Budget Act for Fiscal Year 2017-18 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 2016-17 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

On June 15, 2014, the State Legislature approved Senate Bill 858 (“SB 858”), an education omnibus bill. SB 858 was approved by the Governor on June 21, 2014. In connection with voter approval of Proposition 2 (2014) in November 2014 with respect to the State’s Rainy Day Fund, SB 858 amended the Education Code to limit school district reserves. In addition to the conditions described herein, additional conditions must be satisfied before the reserve limitations are operative. Pursuant to Proposition 2 (2014), in any fiscal year following a year in which the State has made a transfer into the Public School System Stabilization Account and all other applicable conditions have been satisfied, the combined unassigned and assigned ending fund balance in any budget adopted or revised by a school district may not be (i) more than two times the amount of the minimum recommended reserve specified under the Education Code for school districts with an ADA of less than 400,000 or (ii) more than three times the amount of the minimum recommended reserve specified under the Education Code for school districts with an ADA of 400,000 or greater such as the District. Further, a county superintendent of schools may grant a school district a waiver from this limitation on reserves for up to two consecutive fiscal years within a three-year period if certain extraordinary fiscal circumstances exist.

The State-imposed minimum recommended reserve for the District, which is accounted for in the Reserve for Economic Uncertainties, is an amount equal to 3% of General Fund expenditures and other financing uses. 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, as amended, 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, as amended, to adversely affect its ability to pay the principal of and interest on the Refunding 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 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 Refunding 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 XIII A of the State Constitution

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

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

Legislation Implementing Article XIII A

Legislation has been enacted and amended a number of times since 1978 to implement Article XIII A. Under current law, local agencies are no longer permitted to levy directly any *ad valorem*

property tax (except to pay voter-approved indebtedness). The 1% *ad valorem* property tax is automatically levied by the County and distributed according to a formula among taxing agencies. The formula apportions the tax roughly in proportion to the relative shares of taxes levied prior to 1989.

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

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

Article XIII B of the State Constitution

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

The District Board adopted the annual appropriation limit for Fiscal Year 2016-17 of approximately \$4.56 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 2015-16, the appropriations subject to limitation totaled approximately \$4.39 billion and were approximately \$168.8 million below the Article XIII B limit for Fiscal Year 2016-17.

Article XIII C and Article XIII D of the State Constitution

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

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

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

Article XIII D deals with assessments and property-related fees and charges. Article XIII D explicitly provides that nothing in Article XIII C or XIII D shall be construed to affect existing laws relating to the imposition of fees or charges as a condition of property development; however, it is not

clear whether the initiative power is therefore unavailable to repeal or reduce developer and mitigation fees imposed by the District. Proposition 218 does not affect the *ad valorem* property taxes to be levied to pay debt service on the Refunding Bonds.

Proposition 98

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

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

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

The Fiscal Year 2016-17 State Budget projects Proposition 98 expenditures for Fiscal Year 2016-17 of approximately \$71.9 billion (inclusive of approximately \$20.8 billion of local property tax revenues and \$51.1 billion from the State’s General Fund), which reflects an increase of approximately 4.1% compared to the projected Proposition 98 expenditures for Fiscal Year 2015-16. For further information concerning the impact of State Budgets on Proposition 98 funding, see “District Financial Information—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 percent 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 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 percent by creating three additional tax brackets of 10.3 percent, 11.3 percent and 12.3 percent. The tax increases set forth in Proposition 30 are in effect from tax year 2012 to tax year 2018. In addition, Proposition 30 temporarily increases the State’s sales and use tax rate by 0.25 percent 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 official results of the statewide general election on November 8, 2016 reflect that 63.3% of voters in the State voted in favor of 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 June 30, 2016, the District has approximately \$939.36 million in funds attributable to Proposition 47.

Proposition 55. 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. 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 June 30, 2016, the District has approximately \$2.31 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 May 1, 2017, the District has approximately \$845.28 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 4, 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 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 not authorized the issuance of bonds pursuant to Proposition 51. See "State Funding of School Districts – State Budget – 2017-18 Proposed State Budget" herein.

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 Refunding Bonds are general obligations of the District, but are not general obligations of the City or the County.

Population

The following Table A-30 sets forth the estimates of the population of the City, the County and the State in calendar years 2012 through 2016.

TABLE A-30

**POPULATION ESTIMATES
2012 through 2016**

<u>Year</u> <u>(as of January 1)</u>	<u>City of</u> <u>Los Angeles</u>	<u>County of</u> <u>Los Angeles</u>	<u>State of</u> <u>California</u>
2012	3,827,240	9,889,467	37,668,804
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	4,030,904	10,241,335	39,255,883

Source: Department of Finance Demographic Research Unit.

Income

The following Table A-31 sets forth the median household income for the City, the County, the State and the United States for calendar years 2011 through 2015.

TABLE A-31

**Median Household Income ⁽¹⁾
2011 through 2015**

<u>Year</u>	<u>City of</u> <u>Los Angeles</u>	<u>County of</u> <u>Los Angeles</u>	<u>State of</u> <u>California</u>	<u>United States</u>
2011	\$46,148	\$52,280	\$57,287	\$50,502
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	50,205	56,196	61,818	53,889

⁽¹⁾ Estimated. In inflation-adjusted dollars.

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

The following Table A-32 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 2015.

TABLE A-32

**Income Groupings 2015 ⁽¹⁾
(Percent of Households)**

<u>Income Per Household</u>	<u>City of Los Angeles</u>	<u>County of Los Angeles</u>	<u>State of California</u>	<u>United States</u>
\$24,999 & Under	26.7%	23.0%	20.4%	23.1%
\$25,000-49,999	22.9	22.1	20.9	23.5
\$50,000 & Over	50.2	54.9	58.7	53.4

⁽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-33 sets forth wage and salary employment in the County from calendar years 2012 through 2016.

TABLE A-33

**Labor Force and Employment in the County of Los Angeles⁽¹⁾
2012 through 2016**

	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Civilian Labor Force ⁽²⁾	4,901,300	4,960,300	5,025,900	5,011,700	5,043,300
Employment	4,365,800	4,470,700	4,610,800	4,674,800	4,778,800
Unemployment	535,500	489,600	415,1000	336,900	264,500
Unemployment Rate ⁽³⁾	10.9%	9.9%	8.3%	6.7%	5.2%
Wage and Salary Employment					
Farm	5,400	5,500	5,300	5,000	5,300
Mining and Logging	4,300	4,600	4,700	3,900	3,600
Construction	109,200	116,200	120,000	126,100	133,100
Manufacturing	367,400	368,200	346,900	360,800	353,700
Trade, Transportation and Utilities	767,500	782,200	800,700	817,800	858,600
Information	191,500	196,400	195,900	202,700	211,100
Financial Activities	211,000	211,700	209,700	214,200	222,800
Professional and Business Services	571,600	594,700	609,400	600,300	616,100
Educational and Health Services	674,300	719,600	748,000	742,200	786,100
Leisure and Hospitality	415,400	439,300	464,600	488,100	511,200
Other Services	141,700	145,700	151,700	151,700	156,000
Government	556,800	551,200	556,700	566,400	590,000
Total ⁽¹⁾	<u>4,015,900</u>	<u>4,135,200</u>	<u>4,231,700</u>	<u>4,279,200</u>	<u>4,395,700</u>

⁽¹⁾ Totals may not equal sum of component parts due to rounding. All information updated per March 2014 Benchmark.

⁽²⁾ Based on place of residence.

⁽³⁾ The State Employment Development Department has reported an unemployment rate (not seasonally adjusted) within the County of 5.1% for January 2017.

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

The following Table A-34 sets forth taxable sales in the County for the calendar years 2010 through 2014.

TABLE A-34
County of Los Angeles
Taxable Transactions ⁽¹⁾
2010 through 2014
(\$ in thousands)

Type of Business	2010	2011	2012	2013	2014
Motor Vehicle and Parts Dealers	\$ 11,285,457	\$ 12,686,384	\$ 14,479,392	\$ 15,543,657	\$ 16,564,553
Furniture and Home Furnishings Stores	2,158,334	2,321,830	2,441,922	2,568,630	2,734,737
Electronics and Appliance Stores	3,454,412	3,416,744	3,570,668	3,576,308	4,040,534
Building Materials and Garden Equipment and Supplies	6,129,586	6,306,814	6,510,966	6,558,312	6,971,149
Food and Beverage Stores	5,405,254	5,591,250	5,824,815	6,051,754	6,279,795
Health and Personal Care Stores	2,773,004	2,998,946	3,163,312	3,306,274	3,414,941
Gasoline Stations	11,012,642	13,394,467	14,037,507	13,817,056	13,265,979
Clothing and Clothing Accessories Stores	7,607,711	8,356,612	9,166,549	9,926,558	10,560,952
Sporting Goods, Hobby, Book & Music Stores	2,448,246	2,478,020	2,454,806	2,487,061	2,460,392
General Merchandise Stores	10,369,383	10,866,531	11,157,997	11,463,750	11,557,051
Miscellaneous Store Retailers	4,449,560	4,649,598	4,798,211	4,953,245	5,204,656
Nonstore Retailers	790,565	897,596	1,200,322	1,906,573	2,170,084
Food Services and Drinking Places	<u>14,291,264</u>	<u>15,286,655</u>	<u>16,512,136</u>	<u>17,481,996</u>	<u>18,964,996</u>
Total Retail and Food Services	\$ <u>82,175,416</u>	\$ <u>89,251,447</u>	\$ <u>95,318,603</u>	\$ <u>99,641,174</u>	\$ <u>104,189,819</u>
All Other Outlets	\$ <u>34,766,918</u>	\$ <u>37,189,291</u>	\$ <u>39,976,979</u>	\$ <u>40,438,534</u>	\$ <u>43,257,109</u>
TOTAL ALL OUTLETS	\$<u>116,942,334</u>	\$<u>126,440,737</u>	\$<u>135,295,582</u>	\$<u>140,079,708</u>	\$<u>147,446,927</u>

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

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-35 sets forth the major employers in the County for 2016.

TABLE A-35
County of Los Angeles
Major Employers⁽¹⁾
2016

Employer	Product/Service	Employees
Los Angeles County	Government	108,093
Los Angeles Unified School District	Education	59,823
U.S. Government	Government	47,200
University of California, Los Angeles	Education	46,220
Kaiser Permanente	Non-profit health plan	36,987
City of Los Angeles	Government	32,576
State of California	Government	28,900
University of Southern California	Private university	18,971
Northrop Grumman Corp.	Defense contractor	16,619
Target Corp.	Retailer	15,000
Ralphs/Food 4 Less (Kroger Co. division)	Retail grocer	13,500
Bank of America Corp.	Banking and financial services	13,000
Providence Health & Services Southern California	Health care	13,000
Walt Disney Co.	Entertainment	12,500
Albertsons/Vons/Pavilions	Retail grocer	12,400
Cedars-Sinai Medical Center	Medical center	11,625
AT&T Inc.	Telecommunications	11,500
United Parcel Service	Transportation and freight	10,800
Home Depot	Home improvement specialty retailer	10,600
Los Angeles County Metropolitan Transportation Authority	Transportation	9,892
Boeing Co.	Integrated aerospace and defense systems	9,500
Los Angeles Department of Water & Power	Energy	9,335
Wells Fargo	Diversified financial services	9,248
ABM Industries Inc.	Facility services, energy solutions, maintenance, repair	8,500
California Institute of Technology	Private university, operator of Jet Propulsion Laboratory	8,291
FedEx Corp.	Shipping and logistics	7,900
Edison International	Electric utility	7,600
Los Angeles Community College District	Education	6,909
Allied Universal	Electronic security systems, safety services	6,600
Long Beach Unified School District	Education	6,515
California State University, Northridge	Education	6,326
Dignity Health	Health care	6,100
Warner Bros. Entertainment Inc.	Entertainment	5,400
American Apparel Inc.	Apparel manufacturer and retailer	4,500

⁽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: Los Angeles Business Journal 2016. The List 2016.

Construction

The following Table A-36 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 2012 through 2016.

TABLE A-36
City of Los Angeles
Permit Valuations and Units of Construction
2012 to 2016
(\$ in thousands)

Year	New Residential Valuation	New Single Family Dwelling Units	New Multi-Family Dwelling Units	Total New Units
2012	\$1,858,562	875	5,801	6,676
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

Sources: Construction Industry Research Board (2010), California Homebuilding Foundation (2012-2016).

The following Table A-37 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 2011 through 2015.

TABLE A-37
County of Los Angeles
Real Estate and Construction Indicators
2011 to 2015

Indicator	2011	2012	2013	2014	2015
Construction Lending ⁽¹⁾	\$3,258	\$4,601	\$6,379	\$8,750	\$9,711
Residential Purchase Lending ⁽¹⁾	\$20,469	\$23,675	\$27,910	\$31,441	\$48,819
New & Existing Median Home Prices	\$316,469	\$330,463	\$412,795	\$458,677	\$490,279
New & Existing Home Sales	74,216	83,686	84,229	76,348	81,481
Notices of Default Recorded	64,490	49,354	20,970	17,883	17,422
Unsold New Housing (at year-end)	1,517	845	561	552	620
Office Market Vacancy Rates	17.0%	16.7%	16.9%	15.1%	14.5%
Industrial Market Vacancy Rates	2.9%	2.1%	1.9%	1.6%	0.9%

⁽¹⁾ Dollars in millions.

Source: Real Estate Research Council of Southern California – 4th Quarter 2015

The following Table A-38 sets forth information with respect to building permits and building valuations in the County from 2012 through 2016.

TABLE A-38

**County of Los Angeles
Building Permits and Valuations
2012 to 2016**

	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Residential Building Permits (Units)					
New Residential Permits					
Single Family	2,756	3,599	4,286	4,487	4,654
Multi-Family	<u>7,950</u>	<u>12,631</u>	<u>14,595</u>	<u>18,405</u>	<u>15,685</u>
Total Residential Building Permits	<u>10,706</u>	<u>16,230</u>	<u>18,881</u>	<u>22,892</u>	<u>20,339</u>
Building Valuations(\$ in millions)					
Residential Building Valuations					
Single Family	\$1,128	\$1,507	\$1,740	\$1,898	\$2,127
Multi-Family	1,416	1,921	2,310	2,844	2,815
Alterations and Additions	<u>674</u>	<u>1,193</u>	<u>1,429</u>	<u>1,641</u>	<u>1,602</u>
Residential Building Valuations Subtotal	<u>\$3,218</u>	<u>\$4,621</u>	<u>\$5,479</u>	<u>\$6,383</u>	<u>\$6,544</u>
Non-Residential Building Valuations					
Office Buildings	\$38	\$246	\$269	\$349	\$377
Retail Buildings	115	385	829	545	547
Hotels and Motels	5	145	359	368	314
Industrial Buildings	169	128	122	86	139
Alterations and Additions	1,095	2,012	3,155	2,705	2,853
Amusement and Recreation	-	-	-	124	30
Parking Garages	-	-	-	555	263
Service Stations and Repair Garages	-	-	-	18	13
Other	<u>381</u>	<u>669</u>	<u>1,507</u>	<u>894</u>	<u>723</u>
Non-Residential Building Valuations Subtotal	<u>\$1,803</u>	<u>\$3,585</u>	<u>\$6,241</u>	<u>\$5,644</u>	<u>\$5,259</u>
Total Building Valuations	<u>\$5,021</u>	<u>\$8,207</u>	<u>\$11,721</u>	<u>\$12,028</u>	<u>\$11,804</u>

Sources: Real Estate Research Council of Southern California (2012 – 2014)

Construction Industry Research Board (2010), California Homebuilding Foundation (2015-2016)

GLOSSARY OF CERTAIN TERMS AND ABBREVIATIONS

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

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

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

“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.

“CDE” means the California Department of Education.

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

“Common Core” means Common Core State Standards.

“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.

“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.

“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.

[THIS PAGE INTENTIONALLY LEFT BLANK]

APPENDIX B

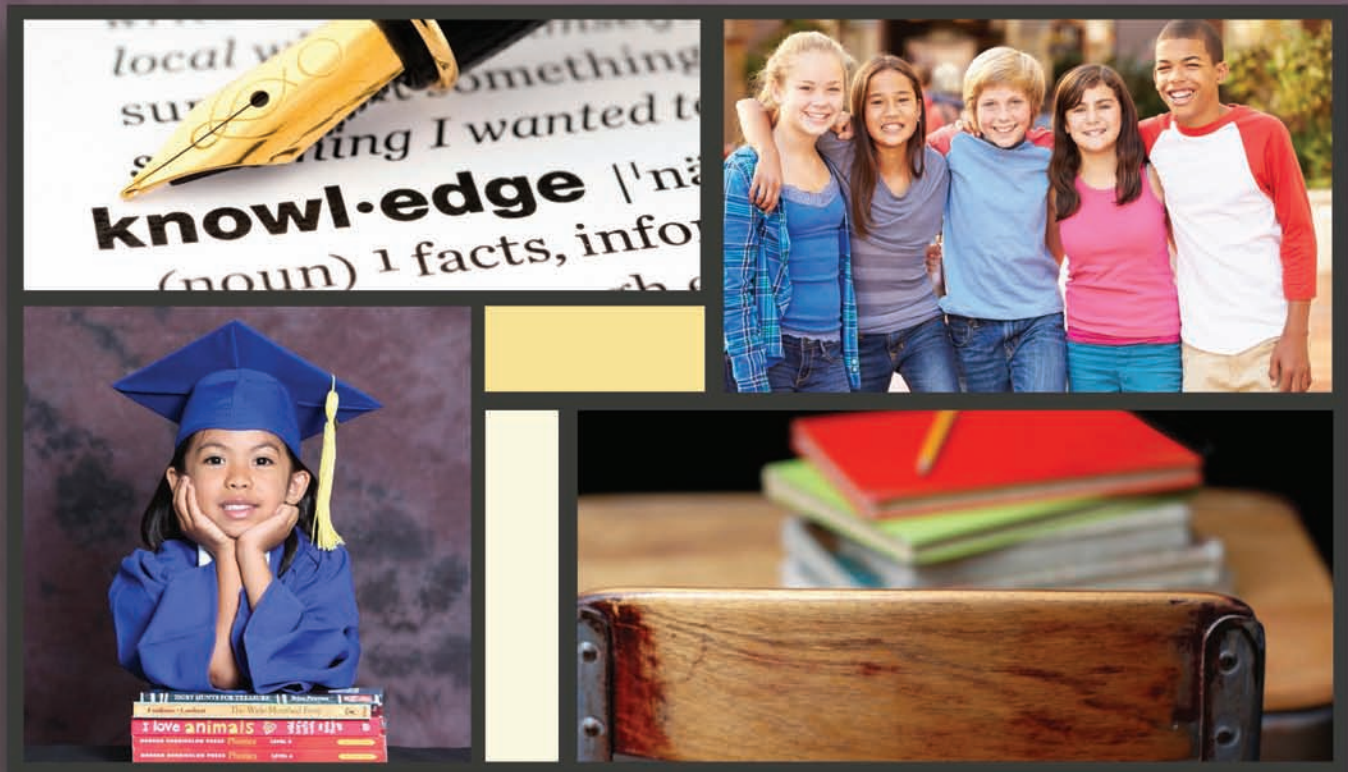
**COMPREHENSIVE ANNUAL FINANCIAL REPORT
OF THE DISTRICT FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

[THIS PAGE INTENTIONALLY LEFT BLANK]

LOS ANGELES UNIFIED SCHOOL DISTRICT



Comprehensive Annual Financial Report



For Fiscal Year Ended June 30, 2016

2015-2016

Los Angeles, CA

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

**COMPREHENSIVE
ANNUAL FINANCIAL REPORT
FISCAL YEAR ENDED JUNE 30, 2016**

MS. MICHELLE KING
SUPERINTENDENT OF SCHOOLS
(EFFECTIVE JANUARY 12, 2016)

MR. RAMON C. CORTINES
SUPERINTENDENT OF SCHOOLS
(OCTOBER 20, 2014 – JANUARY 1, 2016)

MS. MEGAN K. REILLY
CHIEF FINANCIAL OFFICER

MR. V. LUIS BUENDIA
CONTROLLER



**PREPARED BY
ACCOUNTING AND DISBURSEMENTS DIVISION**

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

LOS ANGELES UNIFIED SCHOOL DISTRICT

Comprehensive Annual Financial Report

Year Ended June 30, 2016

Table of Contents

INTRODUCTORY SECTION	Page
Letter of Transmittal	i
Certificate of Achievement for Excellence in Financial Reporting	vi
Board of Education and Principal School District Officials	vii
Organizational Structure	viii
 FINANCIAL SECTION	
Independent Auditor's Report	1
Management's Discussion and Analysis	4
 Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Position	14
Statement of Activities	15
Fund Financial Statements:	
Balance Sheet – Governmental Funds	16
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	17
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	18
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities	19
Statement of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – General Fund	20
Statement of Net Position – Proprietary Funds – Governmental Activities – Internal Service Funds	21
Statement of Revenues, Expenses and Changes in Fund Net Position – Proprietary Funds – Governmental Activities – Internal Service Funds	22
Statement of Cash Flows – Proprietary Funds – Governmental Activities – Internal Service Funds	23
Statement of Net Position – Fiduciary Funds	24
Statement of Changes in Net Positions – Fiduciary Funds	25
Notes to Basic Financial Statements	26
 Required Supplementary Information:	
Schedule of Funding Progress for Postemployment Healthcare Benefits	74
Schedule of Changes in the Net Pension Liability and Related Ratios – Agent Multiple-Employer Defined Benefit Pension Plan – California Public Employees' Retirement System (Safety Plan)	75
Schedule of Contributions – Agent Multiple-Employer Defined Benefit Pension Plan – California Public Employees' Retirement System (Safety Plan)	76
Schedule of District Proportionate Share of the Net Pension Liability and Related Ratios and District Contributions – California Public Employees' Retirement System (Miscellaneous Plan)	77
Schedule of District Proportionate Share of the Net Pension Liability and Related Ratios and District Contributions – California State Teachers' Retirement System.....	78

LOS ANGELES UNIFIED SCHOOL DISTRICT

Comprehensive Annual Financial Report

Year Ended June 30, 2016

Table of Contents

Supplementary Information :	Page
Combining and Individual Fund Schedules and Statements :	
District Bonds Fund – Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual.....	79
Bond Interest Redemption Fund – Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual.....	80
Nonmajor Governmental Funds :	
Special Revenue Funds/Debt Service Funds/Capital Projects Funds:	
Nonmajor Governmental Funds – Combining Balance Sheet	82
Nonmajor Governmental Funds – Combining Statement of Revenues, Expenditures and Changes in Fund Balances	86
Special Revenue Funds – Combining Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual	90
Debt Service Funds – Combining Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual	94
Capital Projects Funds – Combining Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual	96
Internal Service Funds:	
Internal Service Funds – Combining Statement of Net Position	103
Internal Service Funds – Combining Statement of Revenues, Expenses and Changes in Fund Net Position	104
Internal Service Funds – Combining Statement of Cash Flows	105
Fiduciary Funds:	
Fiduciary Funds – Agency Funds – Combining Statement of Changes in Assets and Liabilities	107
Capital Assets Used in the Operation of Governmental Funds:	
Capital Assets Used in the Operation of Governmental Funds – Comparative Schedule by Source	109
Capital Assets Used in the Operation of Governmental Funds – Schedule of Changes in Capital Assets by Source	110
Long-Term Obligations:	
Schedule of Changes in Long-Term Obligations	112
Schedule of Certificates of Participation	114

LOS ANGELES UNIFIED SCHOOL DISTRICT

Comprehensive Annual Financial Report

Year Ended June 30, 2016

Table of Contents

STATISTICAL SECTION (Unaudited)	Page
Schedules of Financial Trends Information	
Statement of Net Position – Last Ten Fiscal Years	120
Changes in Net Position – Last Ten Fiscal Years	122
Governmental Activities Tax Revenues by Source – Last Ten Fiscal Years	124
Fund Balances of Governmental Funds – Last Ten Fiscal Years	126
Changes in Fund Balances of Governmental Funds – Last Ten Fiscal Years	128
Governmental Fund Types – Expenditures and Other Uses by State Defined Object – Last Ten Fiscal Years	130
Governmental Fund Types – Expenditures and Other Uses by Goal and Function – Last Ten Fiscal Years	132
Governmental Fund Types – Revenues by Source (SACS Report Categories) – Last Ten Fiscal Years	134
Schedules of Revenue Capacity Information	
Assessed Value of Taxable Property – Last Ten Fiscal Years	135
Property Tax Rates – All Direct and Overlapping Governments – Last Ten Fiscal Years	136
Largest Local Secured Taxpayers – Current Year and Nine Years Ago.....	138
Property Tax Levies and Collections – Last Ten Fiscal Years	139
Revenue Limit/LCFF Per Unit of Average Daily Attendance – Last Ten Fiscal Years	140
Governmental Fund Types – Schedule of Revenues and Other Sources, Expenditures and Other Uses by State Defined Object – Last Ten Fiscal Years	142
Schedules of Debt Capacity Information	
Ratio of Annual Debt Service for General Bonded Debt and Certificates of Participation (COPs) to Total General Governmental Expenditures – Last Ten Fiscal Years	152
Ratio of Outstanding Debt to Assessed Value and Outstanding Debt Per Capita – Last Ten Fiscal Years	154
Schedule of Direct and Overlapping Bonded Debt	156
Legal Debt Margin Information – Last Ten Fiscal Years	157
Schedules of Demographic and Economic Information	
Demographic Statistics – Last Ten Fiscal Years	158
Principal Employers – Current Year and Nine Years Ago	159
Schedules of Operating Information	
Average Daily Attendance/Hours of Attendance (Annual Report) – Last Ten Fiscal Years	160
Full-Time Equivalent District Employees by Function – Last Ten Fiscal Years.....	164
Capital Assets by Function – Last Ten Fiscal Years.....	166
Miscellaneous Statistical Data – Last Ten Fiscal Years.....	168
STATE AND FEDERAL COMPLIANCE INFORMATION SECTION	
General Fund:	
Schedule of Principal Apportionment from the State School Fund	171
Schedule of Appropriations, Expenditures and Other Uses, and Unexpended Balances by District Defined Program	172
Expenditures and Other Uses by Goal and Function	173
Schedule of Current Expense of Education	174
Schedule of Special Purpose Revenues, Expenditures and Restricted Balances	175

LOS ANGELES UNIFIED SCHOOL DISTRICT

Comprehensive Annual Financial Report

Year Ended June 30, 2016

Table of Contents

STATE AND FEDERAL COMPLIANCE INFORMATION SECTION (Continued)	Page
Adult Education Fund:	
Schedule of Revenues and Other Sources, Expenditures and Other Uses by Function, and Changes in Fund Balance	176
Child Development Fund:	
Schedule of Revenues and Other Sources, Expenditures and Other Uses by Function, and Changes in Fund Balance	177
All Funds:	
Schedule of Fund Equity	178
Schedule of Revenues and Other Financing Sources	182
Organization Structure	200
Schedule of Average Daily Attendance/Hours of Attendance	201
Schedule of Average Daily Attendance – Affiliated Charter Schools	202
Schedule of Instructional Time Offered	206
Schedule of Financial Trends and Analysis	207
Schedule to Reconcile the Annual Financial Budget Report (SACS) with Audited Financial Statements	208
Charter Schools	209
Notes to State Compliance Information	215
Schedule of Expenditures of Federal Awards	216
Notes to Schedule of Expenditures of Federal Awards	220
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	221
Report on Compliance for Each Major Program and on Internal Control over Compliance	223
Independent Auditor's Report on State Compliance	226
Schedule of Findings and Questioned Costs	230
Status of Prior Year Findings and Recommendations	296
Independent Auditor's Management Letter	307

INTRODUCTORY SECTION

MEMBERS OF THE BOARD

LOS ANGELES UNIFIED SCHOOL DISTRICT

STEVEN ZIMMER, PRESIDENT
MÓNICA GARCÍA
DR. GEORGE J. MCKENNA III
MÓNICA RATLIFF
DR. REF RODRIGUEZ
SCOTT M. SCHMERELSON
DR. RICHARD A. VLADOVIC



MICHELLE KING
Superintendent of Schools

MEGAN K. REILLY
Chief Financial Officer

V. LUIS BUENDIA
Controller

December 13, 2016

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

Dear Board Members:

The Comprehensive Annual Financial Report of the Los Angeles Unified School District (District), for the fiscal year ended June 30, 2016, 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 2015-16 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 virtually all 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, 2016, the District is operating 451 elementary schools, 83 middle/junior high schools, 97 senior high schools, 54 options schools, 23 multi-level schools, 15 special education schools, 43 magnet schools and 156 magnet centers, 2 community adult schools, 6 regional occupational centers, 2 skills center, 1 regional occupational program center, 86 early education centers, 4 infant centers, and 18 primary school centers. The District is governed by a seven-member Board of Education elected by voters within the District to serve alternating four-year terms. These terms were extended to five years for members elected in 2015 and thereafter. As of June 30, 2016, the District employed 37,747 certificated, 26,787 classified, and 13,415 unclassified employees. Enrollment as of September 2015 was 528,065 students in K-12 schools, 32,926 students in adult schools and centers, and 12,722 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

Cautious optimism for California and the nation is the headline message of the latest UCLA Anderson Forecast provided on September 2016. The forecast for the U.S. economy is a gross domestic product growth of 1.5 percent in 2016, revised from a 3 percent growth from a year ago. There will be continued, though slightly slower, economic growth for the national economy in 2017 and 2018. Gross domestic product growth will be in the 2 percent to 2.5 percent range. The forecast for California has been revised downward slightly as well due to slower-than-expected national economic growth in 2016. Total employment growth for the state is 2.0 percent in 2016, 1.7 percent in 2017, and 1.1 percent in 2018. Real personal income growth is estimated to be 2.6 percent, 3.7 percent, and 3.6 percent for 2016, 2017, and 2018 respectively.

National unemployment rate is predicted to be in the 4.8 and 5 percent range through 2018. Unemployment peaked at 10 percent in 2009 and today it is in the 5 percent mark. UCLA Anderson Forecast is expecting employment growth to slow from 200,000 jobs per month to about 150,000 per month in 2017 and 125,000 per month the following year as the economy approaches full employment. California is expected to have steady gains in employment, while unemployment in the state is anticipated to decrease through 2018. The table below shows the 2016 monthly unemployment rates for both the nation and the state of California. Unemployment rate for California is foreseen to be slightly different from the U.S. rate at 5.4 percent by 2018.

Month	U.S.	California
January	4.9%	5.7%
February	4.9%	5.5%
March	5.0%	5.4%
April	5.0%	5.3%
May	4.7%	5.2%
June	4.9%	5.4%
July	4.9%	5.5%
August	4.9%	5.5%
September	5.0%	5.5%
October	4.9%	5.5% (P)

P – Preliminary estimate

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

A School Services of California's (SSC) editorial in the September 2016 UCLA Anderson Forecast notes an assumption of a modest increase in exports which forecasters acknowledged to be the riskiest. Furthermore, the editorial outlines an essentially zero growth in the U.S. exports for the past two years due to the strong dollar, weak foreign economies, and growing protectionist sentiments. The performance of the global economy and exports are major economic indicators for California. California's economic growth depends on international trade more than many other states. In 2015, California exports amounted to \$165.4 billion, a decrease from the 2014 total of \$173.8 billion. California's top three export markets are Mexico (\$26.8 billion), Canada (\$16.9 billion), and China (\$14.4 billion). Computers and electronic products are California's largest export, accounting for 26.1 percent of all the state's exports.

California voters approved Proposition 55, The California Children's Education and Health Care Protection Act of 2016, in the November 8, 2016 ballot. It extends for 12 years through 2030 the additional income tax rate increase on high-income taxpayers established by Proposition 30. Under Proposition 30, such income tax surcharge will expire by the end of 2018. Depending on the state of the economy and the performance of the stock market, the Legislative Analyst's Office (LAO) estimates that Proposition 55 will generate revenue ranging from \$4 billion to \$9 billion each year. Roughly half of the revenue raised by the measure will provide increased funding for schools and community colleges. As a caveat, Proposition 55 will not fully offset the impact of a slowdown or recession to education funding since revenue from high income tax rates are likely to drop faster than other groups in a declining economy. Nonetheless, while Proposition 55 will not fully realize the increase of additional funding expected in a growth economy, it might allay some of the revenue loss experienced in a declining economy.

"The surging tide of revenue has begun to turn. It is best to prepare for the days of necessity," Governor Brown said during his press conference last May. Fiscal prudence is the message of Governor Brown as revenues are falling short of projections and California is in its 8th year of economic recovery.

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 2015-16, the Statement of Changes in Net Position shows that the District's Net Position decreased by \$0.4 billion during the year. The Unrestricted Net Position, which is negative, declined from (\$10.2 billion) to (\$10.5 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 \$6.7 billion, an increase of \$0.8 billion from 2014-15. 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 2015-16, the fund balance of the General Fund increased by \$490.4 million from \$819.8 million to \$1.3 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 15 programs audited received an Unmodified audit. The District also received an Unmodified state compliance audit.

There were 15 audit findings in 2015-16 as compared to 18 in 2014-15. The amount of questioned costs, however, did increase from \$275,633 to \$449,837. This increase was attributable to one finding related to immunization testing. The District will continue to work with schools and offices to focus on resolving these areas of internal control and compliance issues.

Awards

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to Los Angeles Unified School District for its comprehensive annual financial report for the fiscal year ended June 30, 2015. This was the sixth consecutive year that the Los Angeles Unified School District has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

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
Superintendent of Schools

Prepared by:



V. Luis Buendia
Controller



Megan K. Reilly
Chief Financial Officer



Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**Los Angeles Unified School District
California**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2015

A handwritten signature in black ink, reading "Jeffrey R. Emer". The signature is fluid and cursive, with the first letters of the first and last names being capitalized and prominent.

Executive Director/CEO

BOARD OF EDUCATION

Steven Zimmer
President

George McKenna III

Ref Rodriguez

Mónica García

Mónica Ratliff

Scott Schmerelson

Richard Vladovic

PRINCIPAL SCHOOL DISTRICT OFFICIALS

Michelle King
Superintendent of Schools
(Effective January 12, 2016)

Ramon C. Cortines
Superintendent of Schools
(October 20, 2014 – January 1, 2016)

Megan K. Reilly
Chief Financial Officer

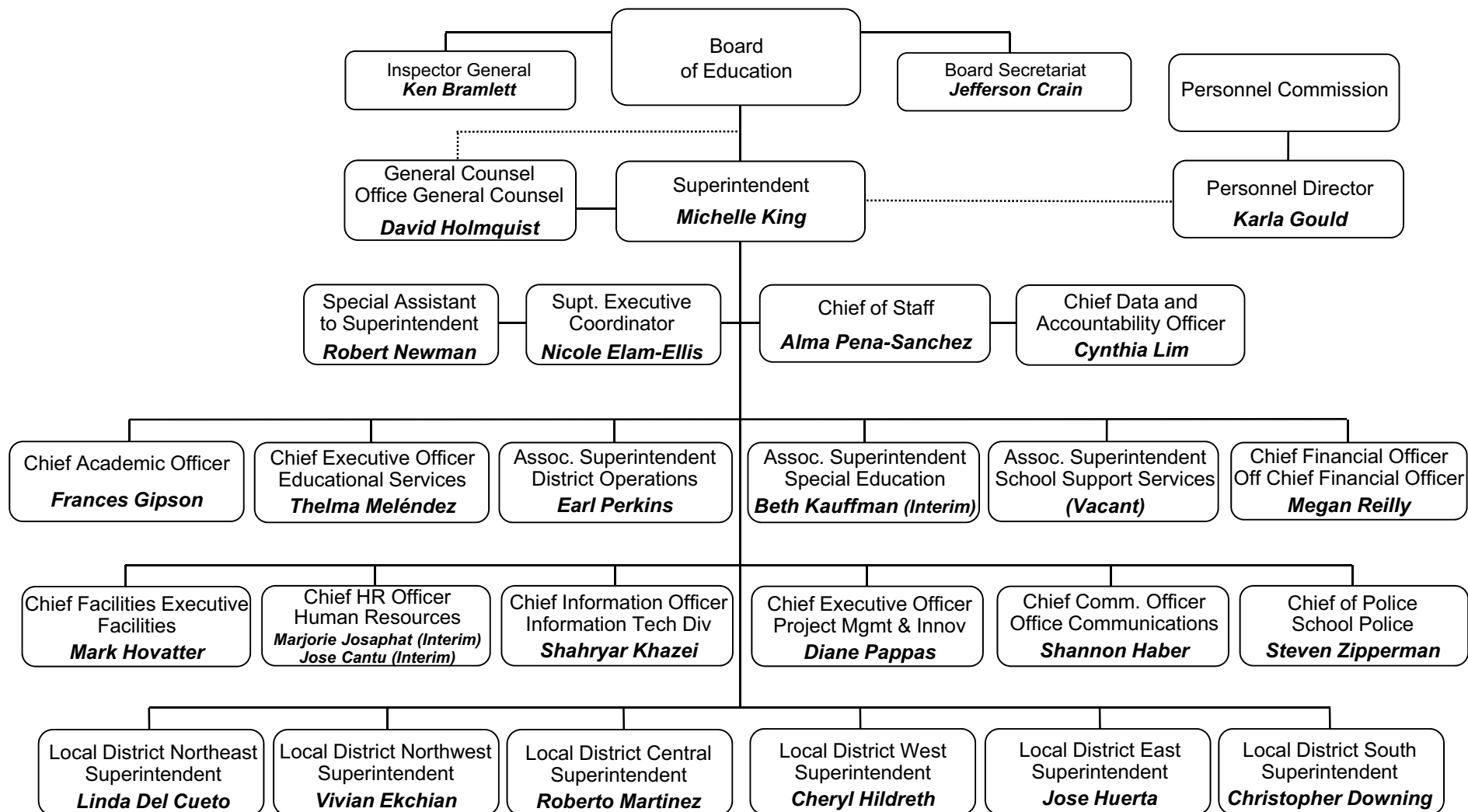
V. Luis Buendia
Controller

LOCAL DISTRICT OFFICIALS

	Local District Superintendent	Administrator of Instruction	Administrator of Operations	Administrator of Parent & Community Engagement	Administrator of Special Education
Northeast:	Linda Del Cueto	Jack Bagwell	Andres Chait	Antonio Reveles	Alesha Haase
Northwest:	Vivian Ekchian	Dina Sim	Darneika Watson	vacant	Cindy Welden
South:	Christopher Downing	Pedro Garcia	Myrna Brutti	Theresa Arreguin	Jose Soto
East:	Jose Huerta	Dr. David Baca	Dr. Alfonso Webb	Gilberto Martinez	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 – Effective July 1, 2016

School Year
2016-2017



FINANCIAL SECTION



SIMPSON & SIMPSON
CERTIFIED PUBLIC ACCOUNTANTS

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

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

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, 2016, 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, 2016, 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 page 74-78 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 statistical section, 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 79 to 117 and the schedule of expenditures of federal awards on pages 216-220, the information on pages 201 to 208 and page 215 in the state and federal compliance section 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 and statistical sections and the information on pages 171 to 200 and 209 to 214 have not been subjected to the auditing procedures applied in the audit of the basic financial statements and accordingly, we do not express an opinion or provide any assurance on them.



Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 13, 2016, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

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

Los Angeles, California
December 13, 2016

LOS ANGELES UNIFIED SCHOOL DISTRICT

Management's Discussion and Analysis

June 30, 2016

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, 2016.

We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages i-v of this report.

Financial Highlights

- The liabilities of the District exceeded its assets at the close of the most recent fiscal year by \$4.6 billion (net position). This amount includes \$10.5 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 \$0.4 billion from prior year total 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 \$1.8 billion (8.3%) during the current fiscal year. The increase resulted primarily from additional OPEB obligation and net pension liability.
- As of the close of the 2016 fiscal year, the District's governmental funds reported combined ending fund balances of \$4.0 billion, an increase of \$0.8 billion from June 30, 2015.
- At the end of the current fiscal year, committed, assigned and unassigned fund balances for the General Fund, including reserve for economic uncertainties, was \$1.1 billion, or 16.5% 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.

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.

LOS ANGELES UNIFIED SCHOOL DISTRICT

Management's Discussion and Analysis

June 30, 2016

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.

LOS ANGELES UNIFIED SCHOOL DISTRICT

Management's Discussion and Analysis

June 30, 2016

Notes to basic financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 26-73 of this report.

Combining and individual fund schedules and statements. Combining schedules and statements consisting of the budget to actual comparisons for District Bonds Fund, Bond Interest and Redemption Fund, the individual accounts within the nonmajor governmental funds, the internal service funds and the fiduciary funds are presented immediately following the required supplementary information. Combining and individual fund schedules and statements can be found on pages 79-107 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 \$4.6 billion at the close of the most recent year.

The District's net position reflects its investments in capital assets (\$4.8 billion) (e.g., land, buildings, and equipment), less any related debt used to acquire those assets that are still outstanding. The District uses these capital assets to provide services to students; consequently, these assets are not available for future spending. Although the District's investments in its capital assets are reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The District's restricted net position (\$1.1 billion) represents resources that are subject to external restrictions on how they may be used. The majority of this pertains to capital projects funds, primarily the County School Facilities Bonds fund. The remaining negative balance in unrestricted net position (-\$10.5 billion) resulted primarily from the recognition of \$6.7 billion of net OPEB obligation and \$5.3 billion of net pension liability.

At the end of the 2016 fiscal year, the District is able to report positive balances in all categories of net position except for unrestricted net position.

The \$217.2 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 \$1.8 billion primarily due to additional OPEB obligation and net pension liability.

LOS ANGELES UNIFIED SCHOOL DISTRICT

Management's Discussion and Analysis

June 30, 2016

Summary Statements of Net Position (in thousands)

As of June 30, 2016 and 2015:

	Governmental Activities	
	2016	2015
Current Assets	\$ 5,770,970	\$ 5,025,849
Capital Assets, net	14,540,889	14,758,045
Total Assets	20,311,859	19,783,894
Deferred Outflows of Resources	1,296,094	529,263
Current Liabilities	858,886	930,275
Long-term Liabilities	24,164,629	22,321,951
Total Liabilities	25,023,515	23,252,226
Deferred Inflows of Resources	1,169,948	1,229,928
Net Position:		
Net investment in capital assets	4,815,146	4,582,066
Restricted for:		
Debt service	282,339	402,208
Program activities	841,203	1,077,629
Unrestricted	(10,524,198)	(10,230,900)
Total Net Position	\$ (4,585,510)	\$ (4,168,997)

LOS ANGELES UNIFIED SCHOOL DISTRICT

Management's Discussion and Analysis

June 30, 2016

Summary Statements of Changes in Net Position (in thousands)

Year ended June 30, 2016 and 2015:

	Governmental Activities	
	2016	2015
Revenues:		
Program Revenues:		
Charges for services	\$ 151,735	\$ 147,464
Operating grants and contributions	2,248,923	1,958,632
Capital grants and contributions	116,337	82,803
Total Program Revenues	<u>2,516,995</u>	<u>2,188,899</u>
General Revenues:		
Property taxes levied for general purposes	1,303,559	1,100,523
Property taxes levied for debt service	759,471	808,603
Property taxes levied for community redevelopment	24,866	23,230
State aid not restricted to specific purpose	3,986,597	3,699,731
Grants, entitlements, and contributions not restricted to specific programs	135,969	134,317
Unrestricted investment earnings	11,634	8,501
Miscellaneous	3,112	7,816
Total General Revenues	<u>6,225,208</u>	<u>5,782,721</u>
Total Revenues	<u>8,742,203</u>	<u>7,971,620</u>
Expenses:		
Instruction	4,549,775	4,367,963
Support Services:		
Support services – students	436,984	372,282
Support services – instructional staff	535,303	547,670
Support services – general administration	185,937	44,538
Support services – school administration	497,149	429,029
Support services – business	269,496	253,917
Operation and maintenance of plant services	696,363	620,396
Student transportation services	183,474	177,753
Data processing services	34,351	22,600
Operation of noninstructional services	529,349	516,029
Facilities acquisition and construction services	189,032	220,919
Other uses	5,749	6,502
Interest expense	477,924	442,977
Depreciation – unallocated	567,830	522,238
Total Expenses	<u>9,158,716</u>	<u>8,544,813</u>
Changes in Net Position	<u>(416,513)</u>	<u>(573,193)</u>
Net Position – Beginning of Year	<u>(4,168,997)</u>	<u>(3,595,804)</u>
Net Position – End of Year	<u>\$ (4,585,510)</u>	<u>\$ (4,168,997)</u>

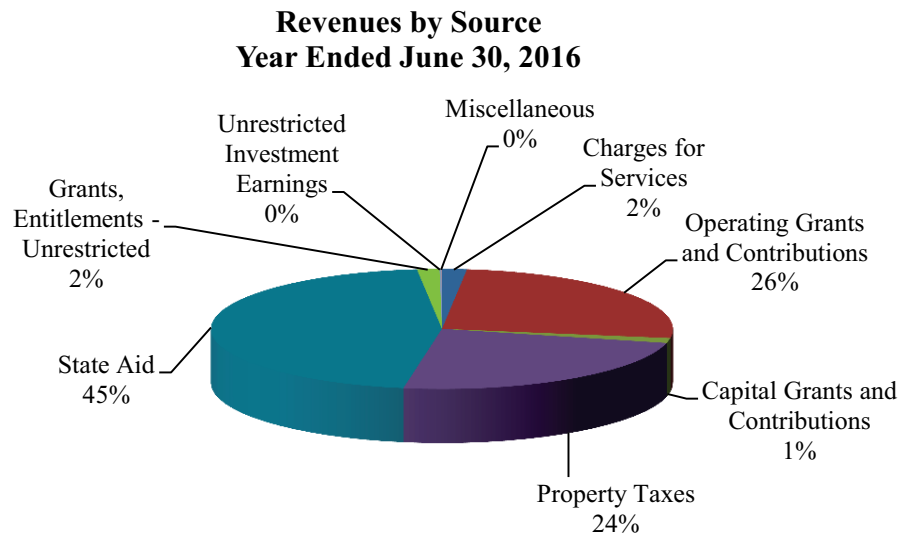
LOS ANGELES UNIFIED SCHOOL DISTRICT

Management's Discussion and Analysis

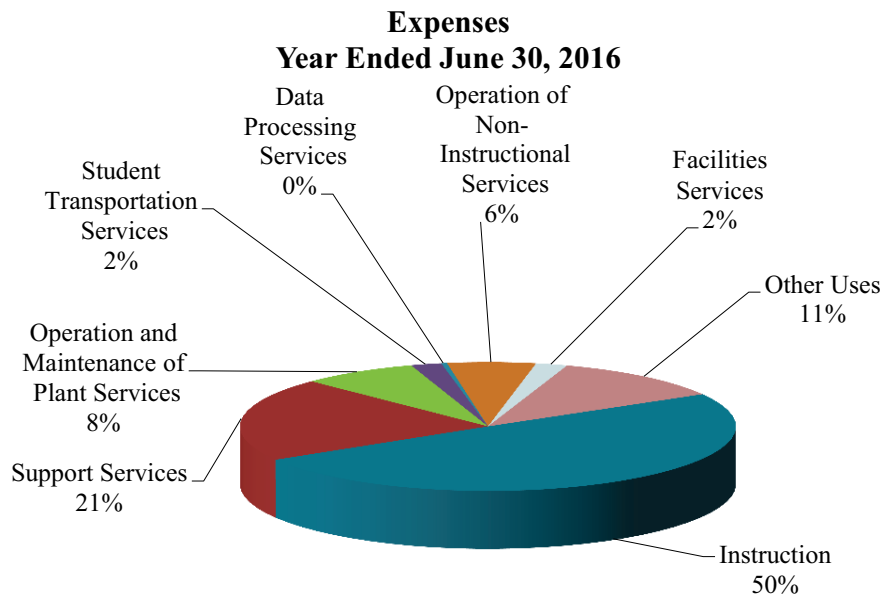
June 30, 2016

The District's net position decreased by \$416.5 million in the current fiscal year. This is primarily due to the increase in other postemployment benefits expense. However, total revenue is higher by \$770.6 million resulting 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.



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



LOS ANGELES UNIFIED SCHOOL DISTRICT

Management's Discussion and Analysis

June 30, 2016

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 \$3,979.6 million, an increase of \$797.3 million in comparison with the prior year. Approximately 32.5% (\$1,294.4 million) of this total combined ending fund balance constitutes unrestricted fund balance, which is available for spending at the District's discretion. The remaining 67.5% are either restricted or nonspendable and are not available for new spending: restricted balances (\$2,643.4 million) and nonspendable inventories and revolving cash (\$41.8 million).

The General Fund is the primary operating fund of the District. At the end of the 2016 fiscal year, the unrestricted fund balance of the General Fund was \$1,096.4 million, while the total fund balance is \$1,310.2 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 16.5% of the total General Fund expenditures, while the total fund balance represents 19.8% of that same amount.

The fund balance of the District's General Fund increased by \$490.4 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					Total
	District Bonds	Bond Interest and Redemption	Special Revenue	Debt Service	Other Capital Projects	
Fund Balance, June 30, 2016:						
Nonspendable						
Revolving cash and imprest funds	\$ 3,633	\$ —	\$ 27	\$ —	\$ —	\$ 27
Inventories	—	—	7,078	—	—	7,078
Restricted	988,776	781,386	60,188	57,008	573,254	690,450
Committed	—	—	—	—	—	—
Assigned	—	—	6,754	—	191,301	198,055
Total	992,409	781,386	74,047	57,008	764,555	895,610
Fund Balance, July 1, 2015	691,525	773,407	34,152	56,205	807,186	897,543
Increase (decrease) in fund balance	\$ 300,884	\$ 7,979	\$ 39,895	\$ 803	\$ (42,631)	\$ (1,933)

The fund balance increased during the current year for the District Bonds due to the issuance of \$649.0 million of general obligation bonds. Special Revenue also increased due to new state funding for the adult education program, and General Fund support to Cafeteria Fund.

LOS ANGELES UNIFIED SCHOOL DISTRICT

Management's Discussion and Analysis

June 30, 2016

On the other hand, other Capital Projects decreased due to spending on projects primarily in the County School Facilities Bonds. 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 \$317.3 million. The net increase of \$18.7 million in the current year is primarily attributed to the increase in net position of the Health and Welfare Benefits Fund as a result of higher contribution requirements into the fund.

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 2015-16 General Fund Original Final Budget adopted by the Board of Education in June 2015 and the Modified Final Budget, resulted in a lower budgeted ending balance by \$2.4 million, from \$718.9 million to \$716.5 million. Adjustments to the Original Final Budget were an increase in beginning balance by \$154.6 million, an increase in budgeted revenues and financing sources by \$158.4 million, and an increase in budgeted expenditures and other financing uses by \$315.4 million.

The increase in beginning balance by \$154.6 million was to reflect the actual ending balance as of June 30, 2015 as opposed to the estimated June 30, 2015 ending balance. The net increase in budgeted revenues and other financing sources of \$158.4 million was mostly due to revenue recognition of the State's on-behalf contribution to California State Teachers' Retirement System (CalSTRS) of \$170.9 million, receipt of one-time Educator Effectiveness funding of \$48.6 million, LCFF revenue increase of \$18.8 million, higher lottery revenue of \$10.2 million, offset by a decreased grant recognition of \$59.7 million, and lower mandated costs reimbursement of \$37 million.

The increase in estimated expenditures and other financing uses of \$315.4 million was mostly attributable to budget changes to reflect pension expense for the State's on-behalf contribution to CalSTRS of \$170.9 million, OPEB contribution of \$51.0 million, increased liability insurance premium of \$146.0 million, offset by a lower grant expenditures of \$62.3 million.

Actual vs. Modified Final Budget

The beginning balance remained the same on both the Actual and the Modified Final Budget. The unfavorable variance of \$84.0 million in revenues and other financing sources between the Actual and Modified Final Budget was mostly due to the \$115.3 million adjustment on multi-year grants budgeted in their entirety but earned only to the extent of actual expenditures incurred offset by an LCFF revenue increase of \$21.4 million.

LOS ANGELES UNIFIED SCHOOL DISTRICT

Management's Discussion and Analysis

June 30, 2016

The favorable variance of \$677.7 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 (\$243.3 million), Certificated Salaries (\$221.2 million), and Services and Other Operating Expenditures (\$155.2 million).

Differences between the Actual and Modified Final Budget resulted in a higher ending balance by \$593.7 million, from \$716.5 million to \$1,310.2 million.

Capital Assets and Debt Administration

Capital assets. The District's investment in capital assets for its governmental activities as of June 30, 2016 amounts to \$14.5 billion (net of accumulated depreciation), 1.5% 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	
	2016	2015
Sites	\$ 3,095,481	\$ 3,095,039
Improvement of sites	201,737	203,742
Buildings and improvements	10,201,552	10,432,678
Equipment	456,061	466,383
Construction in progress	586,058	560,203
Total	<u>\$ 14,540,889</u>	<u>\$ 14,758,045</u>

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 \$24.2 billion. Of this amount, \$11.0 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	
	2016	2015
General Obligation Bonds	\$ 10,964,007	\$ 10,707,885
Certificates of Participation (COPs)	275,755	307,921
Capital Lease Obligations	1,367	1,931
Children's Center Facilities Revolving Loan	396	476
Liability for Compensated Absences	70,555	65,317
Liability for Other Employee Benefits	55,515	61,081
Self-insurance Claims	727,544	720,710
Net Pension Liability	5,346,427	4,485,612
Other Postemployment Benefits (OPEB)	6,723,063	5,971,018
Total	<u>\$ 24,164,629</u>	<u>\$ 22,321,951</u>

LOS ANGELES UNIFIED SCHOOL DISTRICT

Management's Discussion and Analysis

June 30, 2016

The District's total long-term obligations increased by \$1.8 billion (8.3%) 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 September 2016 are AAA from Fitch Ratings ("Fitch"), AA+ from Kroll Bond Rating Agency ("KBRA") and Aa2 from Moody's Investor's Service ("Moody's"). 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, 2016 is \$14.3 billion, which is in excess of the District's outstanding general obligation bond debt.

Additional information on the District's long-term obligations can be found in Notes 11 and 12 on pages 64-68 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 (www.lausd.net), under the Office of the Chief Financial Officer homepage. 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, 2016
(in thousands)

	Governmental Activities
Assets:	
Cash in county treasury, in banks, and on hand	\$ 5,191,017
Cash held by trustee	53,025
Property taxes receivable	69,579
Accounts receivable, net	335,631
Accrued interest receivable	12,661
Prepays	56,468
Inventories	25,766
Accounts receivable, non current	21,367
Other assets	5,456
Capital assets:	
Sites	3,095,481
Improvement of sites	605,232
Buildings and improvements	15,347,779
Equipment	1,949,320
Construction in progress	586,058
Less accumulated depreciation	(7,042,981)
Total Capital Assets, Net of Depreciation	14,540,889
Total Assets	20,311,859
Deferred Outflows of Resources	1,296,094
Liabilities:	
Vouchers and accounts payable	200,320
Contracts payable	30,261
Accrued payroll	223,924
Accrued interest	250,659
Other payables	139,476
Unearned revenue	14,246
Long-term liabilities:	
Portion due within one year	815,752
Portion due after one year	18,002,450
Net Pension Liability	5,346,427
Total Liabilities	25,023,515
Deferred Inflows of Resources	1,169,948
Net Position:	
Net investment in capital assets	4,815,146
Restricted for:	
Debt service	282,339
Program activities	841,203
Unrestricted	(10,524,198)
Total Net Position	\$ (4,585,510)

See accompanying notes to basic financial statements.

LOS ANGELES UNIFIED SCHOOL DISTRICT
Statement of Activities
Year Ended June 30, 2016
(in thousands)

Functions/programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental activities:					
Instruction	\$ 4,549,775	\$ 32,497	\$ 946,289	\$ —	\$ (3,570,989)
Support services – students	436,984	—	156,442	—	(280,542)
Support services – instructional staff	535,303	74	533,249	—	(1,980)
Support services – general administration	185,937	—	297	—	(185,640)
Support services – school administration	497,149	—	53,812	—	(443,337)
Support services – business	269,496	6,546	54,027	—	(208,923)
Operation and maintenance of plant services	696,363	29,237	22,741	—	(644,385)
Student transportation services	183,474	—	63	—	(183,411)
Data processing services	34,351	—	109	—	(34,242)
Operation of non-instructional services	529,349	7,883	427,292	—	(94,174)
Facilities acquisition and construction services*	189,032	75,498	53,764	47,600	(12,170)
Other Uses	5,749	—	—	—	(5,749)
Interest expense	477,924	—	838	68,737	(408,349)
Depreciation – unallocated**	567,830	—	—	—	(567,830)
Total Governmental Activities	<u>\$ 9,158,716</u>	<u>\$ 151,735</u>	<u>\$ 2,248,923</u>	<u>\$ 116,337</u>	<u>(6,641,721)</u>
General revenues:					
Taxes:					
Property taxes, levied for general purposes					1,303,559
Property taxes, levied for debt service					759,471
Property taxes, levied for community redevelopment					24,866
State aid not restricted to specific purpose					3,986,597
Grants, entitlements, and contributions not restricted to specific programs					135,969
Unrestricted investment earnings					11,634
Miscellaneous					3,112
Total General Revenues					<u>6,225,208</u>
Change in Net Position					(416,513)
Net Position – Beginning of Year					<u>(4,168,997)</u>
Net Position – End of Year					<u>\$ (4,585,510)</u>

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

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

See accompanying notes to basic financial statements.

LOS ANGELES UNIFIED SCHOOL DISTRICT
Balance Sheet
Governmental Funds
June 30, 2016
(in thousands)

	<u>General</u>	<u>District Bonds</u>	<u>Bond Interest and Redemption</u>	<u>Other Governmental</u>	<u>Total Governmental</u>
Assets:					
Cash in county treasury, in banks, and on hand	\$ 1,452,815	\$ 1,032,946	\$ 815,899	\$ 866,050	\$ 4,167,710
Cash held by trustee	5,282	—	—	47,743	53,025
Taxes receivable	—	—	69,579	—	69,579
Accounts receivable – net	287,447	2,442	—	28,742	318,631
Accrued interest receivable	4,376	2,901	—	2,586	9,863
Due from other funds	13,000	—	—	—	13,000
Prepays	9,634	—	—	—	9,634
Inventories	18,688	—	—	7,078	25,766
Total Assets	<u>1,791,242</u>	<u>1,038,289</u>	<u>885,478</u>	<u>952,199</u>	<u>4,667,208</u>
Deferred Outflows of Resources	—	—	—	—	—
Total Assets and Deferred Outflows of Resources	<u>\$ 1,791,242</u>	<u>\$ 1,038,289</u>	<u>\$ 885,478</u>	<u>\$ 952,199</u>	<u>\$ 4,667,208</u>
Liabilities and Fund Balances:					
Vouchers and accounts payable	\$ 163,060	\$ 18,083	\$ —	\$ 16,521	\$ 197,664
Contracts payable	2,686	20,351	—	7,224	30,261
Accrued payroll	210,446	4,297	—	10,197	224,940
Other payables	91,551	3,149	—	8,719	103,419
Due to other funds	—	—	—	13,000	13,000
Unearned revenue	13,318	—	—	928	14,246
Total Liabilities	<u>481,061</u>	<u>45,880</u>	<u>—</u>	<u>56,589</u>	<u>583,530</u>
Deferred Inflows of Resources:					
Property Taxes	—	—	69,579	—	69,579
Build America Bond Subsidy	—	—	34,513	—	34,513
Total Deferred Inflows of Resources	<u>—</u>	<u>—</u>	<u>104,092</u>	<u>—</u>	<u>104,092</u>
Fund Balances:					
Nonspendable	31,055	3,633	—	7,105	41,793
Restricted	182,752	988,776	781,386	—	1,952,914
Restricted, reported in:					
Special revenue funds	—	—	—	60,188	60,188
Debt service funds	—	—	—	57,008	57,008
Capital projects funds	—	—	—	573,254	573,254
Committed	218,300	—	—	—	218,300
Assigned	558,701	—	—	—	558,701
Assigned, reported in:					
Special revenue funds	—	—	—	6,754	6,754
Capital projects funds	—	—	—	191,301	191,301
Unassigned:					
Reserved for economic uncertainties	72,376	—	—	—	72,376
Unassigned	246,997	—	—	—	246,997
Total Fund Balances	<u>1,310,181</u>	<u>992,409</u>	<u>781,386</u>	<u>895,610</u>	<u>3,979,586</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 1,791,242</u>	<u>\$ 1,038,289</u>	<u>\$ 885,478</u>	<u>\$ 952,199</u>	<u>\$ 4,667,208</u>

See accompanying notes to basic financial statements.

LOS ANGELES UNIFIED SCHOOL DISTRICT
Reconciliation of the Governmental Funds Balance Sheet
to the Statement of Net Position
June 30, 2016
(in thousands)

Total Fund Balances – Governmental Funds	\$ 3,979,586
--	--------------

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 \$21,583,870 and the accumulated depreciation is \$7,042,981.	14,540,889
--	------------

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.	69,579
--	--------

Federal subsidies for debt service expenditures are recognized in the governmental funds only when the corresponding interest expenditure is recognized.	34,513
--	--------

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.	24,927
--	--------

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.	317,336
--	---------

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.	(18,339,560)
--	--------------

Deferred outflow/inflow of resources – refunding charges are not reported in the governmental funds.	106,525
--	---------

Proportionate share of net pension liability and related deferred inflow/outflow of resources are not reported in the governmental funds.	(5,319,305)
---	-------------

Total Net Position – Governmental Activities	<u>\$ (4,585,510)</u>
--	-----------------------

See accompanying notes to basic financial statements.

LOS ANGELES UNIFIED SCHOOL DISTRICT
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
Year Ended June 30, 2016
(in thousands)

	General	District Bonds	Bond Interest and Redemption	Other Governmental	Total Governmental
Revenues:					
Local Control Funding Formula sources	\$ 5,290,155	\$ —	\$ —	\$ —	\$ 5,290,155
Federal revenues	585,453	—	68,553	340,619	994,625
Other state revenues	1,144,679	—	3,823	275,617	1,424,119
Other local revenues	141,162	17,345	765,225	138,358	1,062,090
Total Revenues	<u>7,161,449</u>	<u>17,345</u>	<u>837,601</u>	<u>754,594</u>	<u>8,770,989</u>
Expenditures:					
Current:					
Certificated salaries	2,842,265	—	—	82,557	2,924,822
Classified salaries	927,433	56,922	—	149,487	1,133,842
Employee benefits	1,731,250	24,542	—	158,985	1,914,777
Books and supplies	245,703	2,631	—	182,453	430,787
Services and other operating expenditures	859,629	22,580	—	27,715	909,924
Capital outlay	41,127	303,502	—	80,845	425,474
Debt service – principal	760	—	404,240	29,890	434,890
Debt service – refunding bond issuance cost	—	—	1,079	—	1,079
Debt service – bond, COPs, and capital leases interest	46	—	508,171	13,525	521,742
Other outgo	5,749	—	—	—	5,749
Transfers of indirect costs - interfund	(20,705)	—	—	20,705	—
Total Expenditures	<u>6,633,257</u>	<u>410,177</u>	<u>913,490</u>	<u>746,162</u>	<u>8,703,086</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>528,192</u>	<u>(392,832)</u>	<u>(75,889)</u>	<u>8,432</u>	<u>67,903</u>
Other Financing Sources (Uses):					
Transfers in	51,209	85,676	—	101,020	237,905
Transfers out	(89,895)	(40,915)	—	(111,385)	(242,195)
Issuance of bonds	—	648,955	—	—	648,955
Issuance of refunding bonds	—	—	577,400	—	577,400
Payment to refunded bond escrow agent	—	—	(676,721)	—	(676,721)
Premium on refunding bonds issued	—	—	100,400	—	100,400
Premium on bonds issued	—	—	82,789	—	82,789
Insurance proceeds – fire damage	673	—	—	—	673
Capital leases	196	—	—	—	196
Total Other Financing Sources (Uses)	<u>(37,817)</u>	<u>693,716</u>	<u>83,868</u>	<u>(10,365)</u>	<u>729,402</u>
Net Changes in Fund Balances	<u>490,375</u>	<u>300,884</u>	<u>7,979</u>	<u>(1,933)</u>	<u>797,305</u>
Fund Balances, July 1, 2015	<u>819,806</u>	<u>691,525</u>	<u>773,407</u>	<u>897,543</u>	<u>3,182,281</u>
Fund Balances, June 30, 2016	<u>\$ 1,310,181</u>	<u>\$ 992,409</u>	<u>\$ 781,386</u>	<u>\$ 895,610</u>	<u>\$ 3,979,586</u>

See accompanying notes to basic financial statements.

LOS ANGELES UNIFIED SCHOOL DISTRICT
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures,
and Changes in Fund Balances to the Statement of Activities
Year Ended June 30, 2016
(in thousands)

Net Changes in Fund Balances – Governmental Funds	\$ 797,305
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.	(217,157)
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.	(196)
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.	(114,743)
Premiums and discounts 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.	(183,189)
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.	(6,618)
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).	98
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.	45,415
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.	(752,045)
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.	18,678
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.	(3,560)
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.	186
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.	(687)
Change in Net Position of Governmental Activities	<u>\$ (416,513)</u>

See accompanying notes to basic financial statements.

LOS ANGELES UNIFIED SCHOOL DISTRICT
Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual
General Fund
Year Ended June 30, 2016
(in thousands)

	Budget		Actual	Variance with Final Budget – Favorable (Unfavorable)
	Original	Final		
Revenues:				
Local Control Funding Formula sources	\$ 5,250,007	\$ 5,268,759	\$ 5,290,155	\$ 21,396
Federal revenues	739,220	706,887	585,453	(121,434)
Other state revenues	953,773	1,135,441	1,144,679	9,238
Other local revenues	136,115	125,157	141,162	16,005
Total Revenues	<u>7,079,115</u>	<u>7,236,244</u>	<u>7,161,449</u>	<u>(74,795)</u>
Expenditures:				
Current:				
Certificated salaries	3,039,075	3,063,439	2,842,265	221,174
Classified salaries	871,037	936,820	927,433	9,387
Employee benefits	1,542,765	1,754,190	1,731,250	22,940
Books and supplies	683,383	489,022	245,703	243,319
Services and other operating expenditures	816,144	1,014,804	859,629	155,175
Capital outlay	7,039	43,099	41,127	1,972
Debt service – principal	87	1,212	760	452
Debt service – bond, COPs, and capital leases interest	—	46	46	—
Other outgo	7,623	8,114	5,749	2,365
Transfers of indirect costs - interfund	(22,421)	(22,872)	(20,705)	(2,167)
Total Expenditures	<u>6,944,732</u>	<u>7,287,874</u>	<u>6,633,257</u>	<u>654,617</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>134,383</u>	<u>(51,630)</u>	<u>528,192</u>	<u>579,822</u>
Other Financing Sources (Uses):				
Transfers in	60,000	61,317	51,209	(10,108)
Transfers out	(140,721)	(112,978)	(89,895)	23,083
Insurance proceeds – fire damage	—	—	673	673
Capital leases	—	—	196	196
Total Other Financing Uses	<u>(80,721)</u>	<u>(51,661)</u>	<u>(37,817)</u>	<u>13,844</u>
Net Changes in Fund Balances	<u>53,662</u>	<u>(103,291)</u>	<u>490,375</u>	<u>593,666</u>
Fund Balances, July 1, 2015	<u>665,206</u>	<u>819,806</u>	<u>819,806</u>	<u>—</u>
Fund Balances, June 30, 2016	<u>\$ 718,868</u>	<u>\$ 716,515</u>	<u>\$ 1,310,181</u>	<u>\$ 593,666</u>

See accompanying notes to basic financial statements.

LOS ANGELES UNIFIED SCHOOL DISTRICT
Statement of Net Position
Proprietary Funds
Governmental Activities – Internal Service Funds
June 30, 2016
(in thousands)

Assets:

Cash in county treasury, in banks, and on hand	\$ 1,023,307
Accounts receivable – net	13,440
Accrued interest and dividends receivable	2,798
Prepays	46,834
Other assets	5,456

Total Assets	1,091,835
--------------	-----------

Deferred Outflows of Resources	2,303
--------------------------------	-------

Liabilities:

Current:

Vouchers and accounts payable	2,656
Accrued payroll	738
Other payables	36,057
Estimated liability for self-insurance claims	301,965

Total Current Liabilities	341,416
---------------------------	---------

Noncurrent:

Estimated liability for self-insurance claims	425,579
Net pension liability	7,493

Total Liabilities	774,488
-------------------	---------

Deferred Inflows of Resources	2,314
-------------------------------	-------

Total Net Position – Unrestricted	\$ 317,336
-----------------------------------	------------

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, 2016
(in thousands)

Operating Revenues:	
In-District premiums	\$ 1,316,534
Others	<u>1,353</u>
Total Operating Revenues	<u>1,317,887</u>
Operating Expenses:	
Certificated salaries	454
Classified salaries	5,487
Employee benefits	2,576
Supplies	357
Premiums and claims expenses	1,286,804
Claims administration	12,881
Other contracted services	<u>2,174</u>
Total Operating Expenses	<u>1,310,733</u>
Operating Income	<u>7,154</u>
Nonoperating Revenues (Expenses):	
Investment income	7,262
Miscellaneous expense	<u>(28)</u>
Total Nonoperating Revenues	<u>7,234</u>
Income (Loss) before Transfers	<u>14,388</u>
Transfers in	<u>4,290</u>
Changes in Net Position	<u>18,678</u>
Total Net Position, July 1, 2015	<u>298,658</u>
Total Net Position, June 30, 2016	<u><u>\$ 317,336</u></u>

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, 2016
(in thousands)

Cash Flows from Operating Activities:	
Cash payments to employees for services	\$ (9,231)
Cash payments for goods and services	(1,318,491)
Receipts from assessment to other funds	1,316,546
Other operating revenue	<u>1,352</u>
Net Cash Provided (Used) by Operating Activities	<u>(9,824)</u>
Cash Flows from Non-Capital Financing Activities:	
Transfer from other funds	<u>4,290</u>
Net Cash Provided by Non-Capital Financing Activities	<u>4,290</u>
Cash Flows from Investing Activities:	
Earnings on investments	<u>7,398</u>
Net Cash Provided by Investing Activities	<u>7,398</u>
Net Increase in Cash and Cash Equivalent	1,864
Cash and Cash Equivalents, July 1	<u>1,021,443</u>
Cash and Cash Equivalents, June 30	<u><u>\$ 1,023,307</u></u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities:	
Operating Income (loss)	\$ 7,154
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Net decrease in pension expense from actuarial valuation	(356)
Change in Assets: Decrease (Increase)	
Accounts receivable	(8,828)
Prepays	(572)
Other assets	429
Change in Liabilities: Increase (Decrease)	
Vouchers and accounts payable	(2,818)
Accrued payroll	(358)
Other payables	(11,309)
Estimated liability for self-insurance claims – current	4,686
Estimated liability for self-insurance claims – noncurrent	<u>2,148</u>
Total Adjustments	<u>(16,978)</u>
Net Cash Provided (Used) by Operating Activities	<u><u>\$ (9,824)</u></u>

See accompanying notes to basic financial statements.

LOS ANGELES UNIFIED SCHOOL DISTRICT
Statement of Net Position
Fiduciary Funds
June 30, 2016
(in thousands)

	Other Postemployment Benefits (OPEB) Trust Fund	Agency Funds
Assets:		
Cash in county treasury, in banks, and on hand	\$ —	\$ 133,911
Cash held by trustee	145,238	—
Accounts receivable – net	—	962
Accrued interest receivable	—	52
Total Assets	<u>\$ 145,238</u>	<u>\$ 134,925</u>
Liabilities:		
Other payables	<u>\$ —</u>	<u>\$ 134,925</u>
Total Liabilities	<u>\$ —</u>	<u>\$ 134,925</u>
Net Position:		
Restricted for other postemployment benefits	<u>\$ 145,238</u>	

See accompanying notes to basic financial statements.

LOS ANGELES UNIFIED SCHOOL DISTRICT
Statement of Changes in Net Position
Fiduciary Funds
Year Ended June 30, 2016
(in thousands)

	Other Postemployment Benefits (OPEB) Trust Fund
Additions:	
In-District contributions	\$ 51,000
Other local revenues	4,187
Total Additions	<u>55,187</u>
Deductions:	
Administrative expenses	105
Total Deductions	<u>105</u>
Change in net position	55,082
Total Net Position, July 1, 2015	<u>90,156</u>
Total Net Position, June 30, 2016	<u><u>\$ 145,238</u></u>

See accompanying notes to basic financial statements.

LOS ANGELES UNIFIED SCHOOL DISTRICT

Notes to Basic Financial Statements

Year Ended June 30, 2016

(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 Comprehensive 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

LOS ANGELES UNIFIED SCHOOL DISTRICT

Notes to Basic Financial Statements

Year Ended June 30, 2016

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, LAUSD/RMA, 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

LOS ANGELES UNIFIED SCHOOL DISTRICT

Notes to Basic Financial Statements

Year Ended June 30, 2016

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 comprehensive 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 2015-16:

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.

LOS ANGELES UNIFIED SCHOOL DISTRICT

Notes to Basic Financial Statements

Year Ended June 30, 2016

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 2015-16.

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 2015-16.

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

LOS ANGELES UNIFIED SCHOOL DISTRICT

Notes to Basic Financial Statements

Year Ended June 30, 2016

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:

LOS ANGELES UNIFIED SCHOOL DISTRICT

Notes to Basic Financial Statements

Year Ended June 30, 2016

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

LOS ANGELES UNIFIED SCHOOL DISTRICT

Notes to Basic Financial Statements

Year Ended June 30, 2016

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.

LOS ANGELES UNIFIED SCHOOL DISTRICT

Notes to Basic Financial Statements

Year Ended June 30, 2016

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, 2016.

(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

LOS ANGELES UNIFIED SCHOOL DISTRICT

Notes to Basic Financial Statements

Year Ended June 30, 2016

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 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 2015-16, the District received \$1,089.3 million of local property taxes, \$690.4 million of EPA, and \$3,510.4 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

LOS ANGELES UNIFIED SCHOOL DISTRICT

Notes to Basic Financial Statements

Year Ended June 30, 2016

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 and the personal income tax rates for upper-income taxpayers, are set to expire at the end of 2016 and 2018 respectively. 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.

(q) *New Accounting Pronouncements*

The GASB has issued Statement No. 72, *Fair Value Measurement and Application*, effective for financial statements for periods beginning after June 15, 2015. This statement requires investments to be measured at fair market value. It requires disclosures about fair value measurements, the level of fair value hierarchy, and valuation techniques. It also requires additional disclosures regarding investments in certain entities that calculate net assets value per share (or its equivalent). This statement enhances comparability of financial statements among governments by requiring measurement of certain assets and liabilities at fair value using a consistent and a more detailed definition of fair value and accepted valuation techniques. This standard does not have any significant impact in the District's financials.

LOS ANGELES UNIFIED SCHOOL DISTRICT

Notes to Basic Financial Statements

Year Ended June 30, 2016

(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 2015-16 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 \$18,339,560 difference are as follows (in thousands):

Bonds payable	\$ (10,964,007)
Certificates of Participation (COPs)	(275,755)
Capital lease obligations	(1,367)
Children Center Facilities Revolving loan	(396)
Liability for compensated absences	(68,798)
Retirement bonus	(55,515)
Other Postemployment Benefits (OPEB)	(6,723,063)
Accrued interest	<u>(250,659)</u>
Adjustment to reduce <i>total fund balances – governmental funds</i> to arrive at <i>net position – governmental activities</i>	<u><u>\$ (18,339,560)</u></u>

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

The governmental fund statement of revenues, expenditures and changes in fund balances includes a reconciliation between *total net changes in fund balances – governmental funds* and *changes in net position of governmental activities* as reported in the accompanying government-wide statement of activities. One element of that reconciliation explains that “Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.” The details of this \$217,157 difference are as follows (in thousands):

LOS ANGELES UNIFIED SCHOOL DISTRICT

Notes to Basic Financial Statements

Year Ended June 30, 2016

Capital related expenditures	\$ 425,474
Loss on disposal	(36,561)
Depreciation expense	<u>(606,070)</u>
Net adjustment to decrease net changes in <i>total fund balances – governmental funds</i> to arrive at <i>changes in net position – governmental activities</i>	<u><u>\$ (217,157)</u></u>

Another element of that reconciliation states that “Proceeds of new debt and repayment of debt principal are reported as other financing sources and uses in the governmental funds, but constitute additions and reductions to liabilities in the statement of net position.” The details of this \$114,743 difference are as follows (in thousands):

Debt issued or incurred:	
General Obligation Bonds	\$ (1,226,355)
Principal repayments:	
General Obligation Bonds	404,240
Certificates of Participation	29,811
Refunding General Obligation Bonds	676,721
Children Center Facilities Loan	80
Capital Leases	<u>760</u>
Net adjustment to increase net changes in <i>total fund balances – governmental funds</i> to arrive at <i>changes in net position – governmental activities</i>	<u><u>\$ (114,743)</u></u>

(4) Budgetary Appropriation Amendments

During the fiscal year, modifications were necessary to increase appropriations for expenditures and other financing uses for the General Fund by \$315.4 million.

(5) Cash and Investments

Cash and investments as of June 30, 2016 are classified in the accompanying basic financial statements as follows (in thousands):

Statement of net position:	
Cash and investments	\$ 5,191,017
Cash and investments held by trustee	<u>53,025</u>
Subtotal	5,244,042
Fiduciary funds:	
Cash and investments	133,911
Cash and investments held by trustee	<u>145,238</u>
Total cash and investments	<u><u>\$ 5,523,191</u></u>

LOS ANGELES UNIFIED SCHOOL DISTRICT

Notes to Basic Financial Statements

Year Ended June 30, 2016

Cash and investments as of June 30, 2016 consist of the following (in thousands):

Cash on hand (cafeteria change funds)	\$ 24
Deposits with financial institutions and Los Angeles County Pool	<u>5,523,167</u>
Total cash and investments	<u>\$ 5,523,191</u>

Deposits with financial institutions include cash in the Los Angeles County Pooled Surplus Investment Fund (\$5,191.0 million), cash held by fiscal agents or trustees (\$53.0 million), cash deposited with various other financial institutions for imprest funds of schools and offices (\$133.9 million), and cash deposited with trustee for other postemployment benefits (\$145.2 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:

LOS ANGELES UNIFIED SCHOOL DISTRICT

Notes to Basic Financial Statements

Year Ended June 30, 2016

	<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Total Par Value</u>	<u>Maximum Par Value per Issuer</u>
A.	Obligations of the U.S. government, its agencies and instrumentalities	None	None	None
B.	Approved Municipal Obligations	5 to 30 years	10% of PSI portfolio	None
C.	Asset-Backed Securities with highest ratings	5 years	20% of PSI portfolio	with credit rating limits
D.	Bankers' Acceptances Domestic and Foreign	180 days	40% of PSI portfolio	with credit rating limits
E.	Negotiable Certificates of Deposits – Domestic	3 years	30% of PSI portfolio	with credit rating limits
	Negotiable Certificates of Deposits – Euro	1 year	10% of PSI portfolio	with credit rating limits
F.	Corporate and Depository Notes	3 years	30% of PSI portfolio	with credit rating limits
G.	Floating Rate Notes	7 years	10% of PSI portfolio	with credit rating limits
H.	Commercial Paper of “prime” quality of the highest ranking or of the highest letter or number ranking as provided for by a nationally recognized statistical-rating organization (NRSRO)	270 days	40% of PSI portfolio	Lesser of 10% of PSI portfolio or credit rating limits
I.	Shares of Beneficial Interest	None	15% of PSI portfolio with no more than 10% in any one fund	None
J.	Repurchase Agreement	30 days	\$1.0 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

LOS ANGELES UNIFIED SCHOOL DISTRICT

Notes to Basic Financial Statements

Year Ended June 30, 2016

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, 2016, 53.06% of district funds in the County PSI Fund does not exceed one year. In addition, variable-rate notes that comprised 0.57% 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 from S&P, P-1 from Moody's, or A 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, 2016, the County did not exceed these limitations.

Custodial credit risk for deposits is the risk that in the event of failure of a depository financial institution, the District will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. Cash in the county treasury is not exposed to custodial credit risk since all county deposits are either covered by federal depository insurance or collateralized with securities held by the County. Deposits other than those with the County are also covered by federal depository insurance or collateralized at the rate of 110% of the deposits, although the collateral may not be held specifically in the District's name.

For COPs debt proceeds held by trustees, these may be placed in permitted investments outlined in the provisions of the trust agreements, as follows:

- A. Direct obligations of the United States of America; bonds, debentures, notes or other evidence of indebtedness issued or guaranteed by specified federal agencies and backed by full or non-full faith and credit of USA;
- B. Money market mutual funds registered under Federal Investment Company Act of 1940 and Federal Securities Act of 1933 and subject to credit rating limits;
- C. Certificates of deposit and other forms of deposit with collateralization, fully insured by FDIC and subject to issuers' credit rating limits;
- D. Investment agreements and commercial papers subject to credit rating limits;
- E. Bonds or notes issued by any state or municipality and pre-refunded municipal bonds, subject to credit rating limits;
- F. Federal funds, bank deposits or bankers' acceptances with full FDIC insurance or subject to credit rating limits;
- G. Repurchase agreements subject to specified criteria and credit rating limits; and
- H. Los Angeles County Investment Pool.

LOS ANGELES UNIFIED SCHOOL DISTRICT

Notes to Basic Financial Statements

Year Ended June 30, 2016

(6) Receivables/Payables

Receivables by Fund at June 30, 2016 consist of the following (in thousands):

	General	District Bonds	Bond Interest and Redemption	Other Governmental	Internal Service Funds	Total
Taxes	\$ —	\$ —	\$ 69,579	\$ —	\$ —	\$ 69,579
Accrued grants and entitlements	277,917	—	—	22,856	—	300,773
Other	9,530	2,442	—	5,886	13,440	31,298
Interest and dividends	4,376	2,901	—	2,586	2,798	12,661
Total Receivables	<u>\$ 291,823</u>	<u>\$ 5,343</u>	<u>\$ 69,579</u>	<u>\$ 31,328</u>	<u>\$ 16,238</u>	<u>\$ 414,311</u>

Payables by Fund at June 30, 2016 consist of the following (in thousands):

	General	District Bonds	Other Governmental	Internal Service Funds	Total
Vouchers and accounts	\$ 163,060	\$ 18,083	\$ 16,521	\$ 2,655	\$ 200,319
Contracts	2,686	20,351	7,224	—	30,261
Accrued payroll	210,446	4,297	10,197	738	225,678
Other	91,551	3,149	8,719	36,057	139,476
Total payables	<u>\$ 467,743</u>	<u>\$ 45,880</u>	<u>\$ 42,661</u>	<u>\$ 39,450</u>	<u>\$ 595,734</u>

LOS ANGELES UNIFIED SCHOOL DISTRICT

Notes to Basic Financial Statements

Year Ended June 30, 2016

(7) Capital Assets

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

	Balance, July 1, 2015	Increases	Decreases	Balance, June 30, 2016
Governmental activities:				
Capital assets, not being depreciated:				
Sites	\$ 3,095,039	\$ 1,381	\$ (939)	\$ 3,095,481
Construction in progress	560,203	386,620	(360,765)	586,058
Total capital assets, not being depreciated	<u>3,655,242</u>	<u>388,001</u>	<u>(361,704)</u>	<u>3,681,539</u>
Capital assets, being depreciated:				
Improvement of sites	590,264	17,698	(2,730)	605,232
Buildings and improvements	15,111,900	250,252	(14,373)	15,347,779
Equipment	1,863,980	107,315	(21,975)	1,949,320
Total capital assets, being depreciated	<u>17,566,144</u>	<u>375,265</u>	<u>(39,078)</u>	<u>17,902,331</u>
Less accumulated depreciation for:				
Improvement of sites	(386,522)	(17,527)	554	(403,495)
Buildings and improvements	(4,679,222)	(471,105)	4,100	(5,146,227)
Equipment	(1,397,597)	(117,438)	21,776	(1,493,259)
Total accumulated depreciation	<u>(6,463,341)</u>	<u>(606,070)</u>	<u>26,430</u>	<u>(7,042,981)</u>
Total capital assets, being depreciated, net	<u>11,102,803</u>	<u>(230,805)</u>	<u>(12,648)</u>	<u>10,859,350</u>
Governmental activities capital assets, net	<u>\$ 14,758,045</u>	<u>\$ 157,196</u>	<u>\$ (374,352)</u>	<u>\$ 14,540,889</u>

LOS ANGELES UNIFIED SCHOOL DISTRICT

Notes to Basic Financial Statements

Year Ended June 30, 2016

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

Governmental activities:

Instruction	\$	4,041
Support services – students		424
Support services – instructional staff		1,099
Support services – general administration		118
Support services – school administration		2,611
Support services – business		1,777
Operation and maintenance of plant services		5,917
Student transportation services		7,694
Data processing services		11,965
Operation of non-instructional services		2,594
Facilities acquisition and construction services		567,830
Total depreciation expense – governmental activities	\$	<u>606,070</u>

(8) Deferred Outflows and Inflows of Resources

District's deferred inflows and outflows of resources as of June 30, 2016 are comprised of the following (in thousands):

	<u>Deferred Outflows</u>	<u>Deferred Inflows</u>
Debt refunding charges	\$ 129,224	\$ 22,699
Pension contributions subsequent to measurement date	432,306	–
Unamortized differences between projected and actual earnings on plan investments	536,143	879,921
Unamortized differences between expected and actual experience	73,330	70,338
Unamortized differences arising from changes of assumptions	–	83,500
Unamortized differences arising from change in proportion of net pension liability	125,091	113,490
Total	<u>\$ 1,296,094</u>	<u>\$ 1,169,948</u>

(9) Retirement, Termination and Other Postemployment Benefit Plans

The District provides a number of benefits to its employees including retirement, termination, and postemployment health care benefits.

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

LOS ANGELES UNIFIED SCHOOL DISTRICT

Notes to Basic Financial Statements

Year Ended June 30, 2016

Public Employees' Retirement System (CalPERS), 2) the California State Teachers' Retirement System (CalSTRS), and 3) the Public Agency Retirement (PARS) which is administered under a Trust. In general, certificated employees are members of CalSTRS and classified employees are members of CalPERS. Part-time, seasonal, temporary and other employees who are not members of CalPERS or CalSTRS are members of PARS.

(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, 2016, are summarized as follows:

	Safety	
	Prior to January 1, 2013	On or after January 1, 2013
Hiring date		
Benefit formula	3% @ 50	2.7% @ 57
Benefit vesting schedule	5 years service	5 years service
Benefit payments	monthly for life	monthly for life
Retirement age: minimum	50	57
Monthly benefit, as a % of eligible compensation	3.0%	2.70%
Required employee contribution rates	9.00%	12.75%
Required employer contribution rates	32.230%	32.230%

Employees Covered

At June 30, 2016, the following employees were covered by the benefit terms for the Safety Plan:

	Safety
Inactive employees or beneficiaries currently receiving the benefits	347
Inactive employees entitled to but not yet receiving benefits	147
Active employees	379
Total	<u>873</u>

LOS ANGELES UNIFIED SCHOOL DISTRICT

Notes to Basic Financial Statements

Year Ended June 30, 2016

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, 2016, the contributions to the Safety Plan amounted to \$10.4 million.

Net Pension Liability

The District's net pension liability for the Safety Plan of \$69.7 million at June 30, 2016 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, 2015, using an annual actuarial valuation as of June 30, 2014 rolled forward to June 30, 2015 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, 2014 actuarial valuations were determined using the following actuarial assumptions:

	Safety
Valuation date	June 30, 2014
Measurement date	June 30, 2015
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.

LOS ANGELES UNIFIED SCHOOL DISTRICT

Notes to Basic Financial Statements

Year Ended June 30, 2016

All other actuarial assumptions used in the June 30, 2014 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

GASB 68, paragraph 68 states that the long long-term expected rate of return should be determined net of pension plan investment expense but without reduction for pension plan administrative expense. The discount rate of 7.50% used for the June 30, 2014 measurement date was net of administrative expenses. The discount rate of 7.65% used for the June 30, 2015 measurement date is without reduction of pension plan administrative expense.

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.

LOS ANGELES UNIFIED SCHOOL DISTRICT

Notes to Basic Financial Statements

Year Ended June 30, 2016

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

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

Asset Class	Safety		
	Current Target Allocation	Real Return Years 1 - 10 ^(a)	Real Return Years 11+ ^(b)
Global Equity	51.00%	5.25%	5.71%
Global Fixed Income	19.00	0.99	2.43
Inflation Sensitive	6.00	0.45	3.36
Private Equity	10.00	6.83	6.95
Real Estate	10.00	4.50	5.13
Infrastructure and Forestland	2.00	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.

LOS ANGELES UNIFIED SCHOOL DISTRICT

Notes to Basic Financial Statements

Year Ended June 30, 2016

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, 2015	\$ 315,053	\$ 248,959	\$ 66,094
Changes recognized for the measurement period:			
Service cost	8,240	—	8,240
Interest on the total pension liability	23,128	—	23,128
Differences between expected and actual experience	(4,558)	—	(4,558)
Changes of assumptions	(5,860)	—	(5,860)
Plan to Plan Resource Movement	—	1	(1)
Contributions from the employer	—	9,347	(9,347)
Contributions from employees	—	2,825	(2,825)
Net investment income	—	5,470	(5,470)
Benefit payments, including refunds of employee contributions	(12,853)	(12,853)	—
Administrative Expense	—	(285)	285
Net changes	8,097	4,505	3,592
Balance at June 30, 2016	\$ 323,150	\$ 253,464	\$ 69,686

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	\$ 114,899	\$ 69,686	\$ 32,567

Pension Plan Fiduciary Net Position

Detailed information about each pension plan's fiduciary net position is available in the separately issued CalPERS financial reports. Copies of the CalPERS annual financial report may be obtained from CalPERS Fiscal Services Division, P.O. Box 942703, Sacramento, CA 94229-2703, or by calling (888) CalPERS (225-7377).

LOS ANGELES UNIFIED SCHOOL DISTRICT

Notes to Basic Financial Statements

Year Ended June 30, 2016

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

For the year ended June 30, 2016, the District recognized pension expense of \$6.2 million for the Safety Plan.

As of June 30, 2016, 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	\$ —	\$ 4,664
Differences between expected and actual experience	—	3,628
Net difference between projected and actual earnings on pension plan investments	10,777	12,717
District contributions subsequent to the measurement date	10,397	—
Total	<u>\$ 21,174</u>	<u>\$ 21,009</u>

The amounts above are net of outflows and inflows recognized in the 2014-15 measurement period expense.

The \$10.4 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, 2017. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in future pension expense as follows (in thousands):

	Safety
Year ended June 30	Deferred Outflows (Inflows) of Resources
2017	\$ (3,671)
2018	(3,671)
2019	(3,671)
2020	781

Payable to the Pension Plan

The District's contribution for all members to the Safety Plan for the fiscal year ended June 30, 2016 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, 2016.

LOS ANGELES UNIFIED SCHOOL DISTRICT

Notes to Basic Financial Statements

Year Ended June 30, 2016

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, 2016, are summarized as follows:

	Miscellaneous	
	Prior to January 1, 2013	On or after January 1, 2013
Hiring date		
Benefit formula	2.0% @ 55	2.0% @ 62
Benefit vesting schedule	5 years service	5 years service
Benefit payments	monthly for life	monthly for life
Retirement age: Minimum	50	52
Monthly benefit, as a % of eligible compensation	1.10%	1.00%
Required employee contribution rates	7.00%	6.00%
Required employer contribution rates	11.847%	11.847%

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, 2016, the contributions to the Miscellaneous Plan amounted to \$119.2 million.

LOS ANGELES UNIFIED SCHOOL DISTRICT

Notes to Basic Financial Statements

Year Ended June 30, 2016

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

At June 30, 2016, the District reported a net pension liability of \$1.3 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, 2015, 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, 2014 rolled forward to June 30, 2015 using standard update procedures. The District's proportion of the net pension liability was based on the 2014-15 fiscal year employer contributions calculated by CalPERS. At June 30, 2015, the District's proportion was 8.7047%.

For the year ended June 30, 2016, the District recognized pension expense of \$91.6 million for the Miscellaneous Plan. At June 30, 2016, 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	\$ 73,330	\$ —
Difference between projected and actual earnings on pension plan investments	210,732	247,948
Change of assumptions	—	78,836
Change in NPL proportion	—	85,574
District contributions subsequent to the measurement date	119,193	—
Total	<u>\$ 403,255</u>	<u>\$ 412,358</u>

The \$119.2 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, 2017. 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
2017	\$ (60,876)
2018	(60,876)
2019	(59,227)
2020	52,683

LOS ANGELES UNIFIED SCHOOL DISTRICT

Notes to Basic Financial Statements

Year Ended June 30, 2016

Actuarial Methods and Assumptions

The total pension liability in the June 30, 2014 actuarial valuation was determined using the following actuarial assumptions:

	Miscellaneous
Valuation date	June 30, 2014
Measurement date	June 30, 2015
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	2.00% until purchasing power
Increase	protection allowance floor on purchasing power applies, 2.75% thereafter

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

All other actuarial assumptions used in the June 30, 2014 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

GASB 68, paragraph 68 states that the long long-term expected rate of return should be determined net of pension plan investment expense but without reduction for pension plan administrative expense. The 7.5% investment return assumption used for the June 30, 2014 measurement date was net of administrative expenses. The discount rate of 7.65% used for the June 30, 2015 measurement date is without reduction of pension plan administrative expense.

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.

LOS ANGELES UNIFIED SCHOOL DISTRICT

Notes to Basic Financial Statements

Year Ended June 30, 2016

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, 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.

Asset Class	Miscellaneous		
	Current Target Allocation	Real Return Years 1 - 10 ^(a)	Real Return Years 11+ ^(b)
Global Equity	51.00%	5.25%	5.71%
Global Fixed Income	19.00	0.99	2.43
Inflation Sensitive	6.00	0.45	3.36
Private Equity	10.00	6.83	6.95
Real Estate	10.00	4.50	5.13
Infrastructure and Forestland	2.00	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):

LOS ANGELES UNIFIED SCHOOL DISTRICT

Notes to Basic Financial Statements

Year Ended June 30, 2016

	1.0% Decrease (6.65%)	Current Discount Rate (7.65%)	1.0% Increase (8.65%)
District's proportionate share of the net pension liability	\$ 2,088,322	\$ 1,283,081	\$ 613,470

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, 2016 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, 2016.

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

Plan Description and Benefits Provided

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

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

LOS ANGELES UNIFIED SCHOOL DISTRICT

Notes to Basic Financial Statements

Year Ended June 30, 2016

The Plan's provisions and benefits in effect at June 30, 2016, are summarized as follows:

	On or before December 31, 2012	On or after January 1, 2013
Hiring Date		
Benefit formula	2.0% @ 60	2.0% @ 62
Benefit vesting schedule	5 years service	5 years service
Benefit payments	monthly for life	monthly for life
Retirement age: Minimum	50-55 (30 years of service credit)	55 (5 years of service credit)
Monthly benefit, as a % of eligible compensation	1.1% - 2.4%	1.16% - 2.4%
Required employee contribution rates	9.2%	8.56%
Required employer contribution rates	10.73%	10.73%

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, 2016, the contributions to the CalSTRS' TRF amounted to \$302.7 million.

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

At June 30, 2016, the District reported a net pension liability of \$4.0 billion for its proportionate share of the CalSTRS net pension liability. The net pension liability was measured as of June 30, 2015, 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 2014-15 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, 2015, the District's proportion was 5.932%.

LOS ANGELES UNIFIED SCHOOL DISTRICT

Notes to Basic Financial Statements

Year Ended June 30, 2016

For the year ended June 30, 2016, the District recognized pension expense of \$334.5 million. At June 30, 2016, 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	\$ —	\$ 66,710
Difference between projected and actual earnings	314,633	619,256
Change in NPL proportion	125,091	27,916
District contributions subsequent to the measurement date	302,716	—
Total	<u>\$ 742,440</u>	<u>\$ 713,882</u>

The \$302.7 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, 2017. 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
2017	\$ (122,683)
2018	(122,683)
2019	(122,683)
2020	83,737
2021	5,077
Thereafter	5,077

LOS ANGELES UNIFIED SCHOOL DISTRICT

Notes to Basic Financial Statements

Year Ended June 30, 2016

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, 2014, and rolling forward the total pension liability to June 30, 2015. The financial reporting actuarial valuation as of June 30, 2014, used the following actuarial methods and assumptions, applied to all prior periods included in the measurement:

Valuation Date	June 30, 2014
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 period 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. Based on the model from CalSTRS consulting actuary's (Milliman) investment practice, a best estimate range was determined by assuming the portfolio is re-balanced annually and that annual returns are lognormally distributed and independent from year to year to develop expected percentiles for the long-term distribution of annualized returns. The assumed asset allocation by PCA is based on board policy for target asset allocation in effect on February 2, 2012, the date the current experience study was

LOS ANGELES UNIFIED SCHOOL DISTRICT

Notes to Basic Financial Statements

Year Ended June 30, 2016

approved by the board. Best estimates of 10-year geometric real rates of return and the assumed asset allocation for each major asset class used as input to develop the actuarial investment rate of return are summarized in the following table:

Asset Class	Assumed Asset Allocation	Long-Term* Expected Real Rate of Return
Global Equity	47.00 %	4.50 %
Private Equity	12.00	6.20
Real Estate	15.00	4.35
Inflation Sensitive	5.00	3.20
Fixed Income	20.00	0.20
Cash / Liquidity	1.00	0.00
	<u>100.00 %</u>	

* 10-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, 2015. Deferred outflows and inflows related to differences between projected and actual earnings on plan investments are netted and amortized over a closed 5-year period.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.6%, 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	\$ 6,030,115	\$ 3,993,660	\$ 2,301,201

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.

LOS ANGELES UNIFIED SCHOOL DISTRICT

Notes to Basic Financial Statements

Year Ended June 30, 2016

Payable to the Pension Plan

The District's contribution for all members to the CalSTRS' TRF for the fiscal year ended June 30, 2016 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, 2016.

(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, 2016, there are 33,340 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, 2016, the District recognized pension expense of \$6.2 million. The District does not have any forfeited amounts.

The District's contributions for all members for the fiscal years ended June 30, 2016, 2015, and 2014 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 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:

LOS ANGELES UNIFIED SCHOOL DISTRICT

Notes to Basic Financial Statements

Year Ended June 30, 2016

- 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, 2016, 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

LOS ANGELES UNIFIED SCHOOL DISTRICT

Notes to Basic Financial Statements

Year Ended June 30, 2016

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 2015-16, the District contributed a total of \$338.7 million to the plan including \$51 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	\$ 1,071,695
Interest on net OPEB obligation	280,638
Adjustment to annual required contribution	<u>(261,584)</u>
Annual OPEB cost (expense)	1,090,749
Contributions made	<u>(338,704)</u>
Increase in net OPEB obligation	752,045
Net OPEB obligation – beginning of year	<u>5,971,018</u>
Net OPEB obligation – end of year	<u>\$ 6,723,063</u>

LOS ANGELES UNIFIED SCHOOL DISTRICT

Notes to Basic Financial Statements

Year Ended June 30, 2016

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal years 2016, 2015, and 2014 were as follows (in thousands):

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2016	\$ 1,090,749	31 %	\$ 6,723,063
6/30/2015	929,864	33	5,971,018
6/30/2014	890,880	37	5,351,835

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

LOS ANGELES UNIFIED SCHOOL DISTRICT

Notes to Basic Financial Statements

Year Ended June 30, 2016

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, 2016.

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, 2016, the amount of the total claims liabilities recorded for health and welfare, liability self-insurance, and workers' compensation was \$727.5 million. The increase in the workers' compensation liability is primarily due to an increase in frequency and reserves for lost time claims. The decrease in the Health and Welfare Benefits Fund is mainly due to the implementation of a new prescription drug plan. Changes in the reported liabilities since July 1, 2014 are summarized as follows (in thousands):

LOS ANGELES UNIFIED SCHOOL DISTRICT

Notes to Basic Financial Statements

Year Ended June 30, 2016

	Beginning of Fiscal Year Liability	Current Year Claims and Changes in Estimates	Claim Payments	End of Fiscal Year Liability
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	<u>\$ 720,710</u>	<u>\$ 532,755</u>	<u>\$ (525,921)</u>	<u>\$ 727,544</u>
2014-2015				
Health and welfare benefits	\$ 20,634	\$ 250,057	\$ (247,385)	\$ 23,306
Workers' compensation self-insurance	421,545	162,576	(100,030)	484,091
Liability self-insurance	197,999	47,802	(32,488)	213,313
Total	<u>\$ 640,178</u>	<u>\$ 460,435</u>	<u>\$ (379,903)</u>	<u>\$ 720,710</u>

(11) Certificates of Participation, Long-Term Capital Leases, and Operating Leases

The District has entered into Certificates of Participation (COPs) for the acquisition of the new administration building, warehouse, school sites, relocatable classroom buildings, furniture and equipment; modernization, rehabilitation and repair of certain facilities; replacement of the legacy financial and procurement systems; and automation of certain business processes. The COPs outstanding as of June 30, 2016 are as follows (in thousands):

COP Issue	Sale Date	Original Principal Amount	Outstanding June 30, 2016	Interest Rates to Maturity		Final Maturity
				Min	Max	
2005 Qualified Zone Academy Bonds	12/13/2005	\$ 10,000	\$ 10,000	N/A	N/A	2020
2007A Information Technology Projects	11/15/2007	99,660	16,041	5.000 %	5.000 %	2017
2010A Multiple Properties Project	1/27/2010	69,685	25,035	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, Capital Projects I	12/21/2010	61,730	33,605	4.000	5.750	2020
2012A Refunding Headquarters Building Projects	6/12/2012	87,845	68,270	3.750	5.000	2031
2012B Refunding Headquarters Building Projects	6/12/2012	72,345	70,925	2.125	5.000	2031
2013A Refunding Lease	6/24/2013	24,780	20,640	2.290	2.290	2028
			<u>\$ 266,131</u> *			

* The total amount shown above excludes net unamortized premium of \$9.6 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

LOS ANGELES UNIFIED SCHOOL DISTRICT

Notes to Basic Financial Statements

Year Ended June 30, 2016

escrow account assets and the liability for the defeased COPs are not included in the District's financial statements. As of June 30, 2016, \$7.7 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, 2016, a total of \$6.6 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 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 67 years subject to renewal option provisions.

The total expenditure for all operating leases amounted to \$8.1 million in fiscal year 2015-16. The future minimum commitments for noncancelable operating lease of the District as of June 30, 2016 are as follows (in thousands):

<u>Fiscal year ending</u>	<u>Amount</u>
2017	\$ 6,355
2018	6,426
2019	4,998
2020	5,035
2021	3,187
2022-2026	13,658
2027-2031	13,599
2032-2036	15,634
2037-2041	15,345
2042-2046	11,089
2047-2051	11,721
2052-2056	12,941
2057-2061	14,287
2062-2066	15,775
2067-2071	17,416
2072-2076	19,229
2077-2081	21,230
2082-2086	10,783
	<u>\$ 218,708</u>

LOS ANGELES UNIFIED SCHOOL DISTRICT

Notes to Basic Financial Statements

Year Ended June 30, 2016

(12) Long-Term Obligations

The following is a summary of changes in long-term obligations for the year ended June 30, 2016 (in thousands):

	Balance, July 1, 2015	Additions	Deductions	Other Changes**	Balance, June 30, 2016	Due Within One Year	Interest Expense
General Obligation Bonds*	\$ 10,707,885	\$ 1,226,355	\$ 1,065,405	\$ 95,172	\$ 10,964,007	\$ 477,504	\$441,576
Certificates of Participation (Note 11)*	307,921	—	29,811	(2,355)	275,755	32,536	11,422
Capital Lease Obligations	1,931	196	760	—	1,367	586	50
Children Center Facilities Revolving Loan	476	—	80	—	396	79	—
Liability for Compensated Absences	65,317	75,694	70,456	—	70,555	1,306	—
Liability for Other Employee Benefits	61,081	82	5,648	—	55,515	1,776	—
Self-Insurance Claims (Note 10)	720,710	532,755	525,921	—	727,544	301,965	—
Net Pension Liability	4,485,612	1,991,164	1,130,349	—	5,346,427	—	—
Other Postemployment Benefits	5,971,018	1,090,749	338,704	—	6,723,063	—	—
Total	<u>\$ 22,321,951</u>	<u>\$ 4,916,995</u>	<u>\$ 3,167,134</u>	<u>\$ 92,817</u>	<u>\$ 24,164,629</u>	<u>\$ 815,752</u>	<u>\$453,048</u>

* The amounts shown above include unamortized premiums and discounts.

** Premium on bonds and premium and discount amortization.

Future annual payments on long-term debt obligations are as follows (in thousands):

Year Ending June 30	General Obligation Bonds		Capital Lease Obligations/ Certificates of Participation		Other Loans	Total	
	Principal	Interest	Principal	Interest		Principal	Interest
2017	\$ 389,995	\$ 507,482	\$ 31,208	\$ 12,134	\$ 79	\$ 421,282	\$ 519,616
2018	390,210	504,181	39,867	10,431	79	430,156	514,612
2019	410,050	484,834	15,677	9,092	79	425,806	493,926
2020	391,125	465,063	16,315	8,302	79	407,519	473,365
2021	412,520	445,827	26,831	7,492	80	439,431	453,319
2022-2026	2,732,345	1,896,101	55,035	28,861	—	2,787,380	1,924,962
2027-2031	2,943,250	1,176,784	62,015	14,517	—	3,005,265	1,191,301
2032-2036	2,591,900	369,527	20,550	2,227	—	2,612,450	371,754
2037-2041	196,220	22,836	—	—	—	196,220	22,836
	<u>\$ 10,457,615</u>	<u>\$ 5,872,635</u>	<u>\$ 267,498</u>	<u>\$ 93,056</u>	<u>\$ 396</u>	<u>\$ 10,725,509</u>	<u>\$ 5,965,691</u>

LOS ANGELES UNIFIED SCHOOL DISTRICT

Notes to Basic Financial Statements

Year Ended June 30, 2016

The General Obligation (GO) Bonds outstanding balance as of June 30, 2016 consists of the following (in thousands):

Bond Issue	Sale Date	Original Principal Amount	Outstanding June 30, 2016	Interest Rates to Maturity		Final Maturity
				Min	Max	
2002 Refunding	4/17/2002	\$ 258,375	\$ 58,280	5.75%	5.75%	2017
2005A-1 Refunding	7/20/2005	346,750	72,720	5.00	5.50	2018
2005A-2 Refunding	7/20/2005	120,925	14,790	5.50	5.50	2018
Election of 2004, F (2006)	2/16/2006	500,000	17,270	3.88	5.00	2016
Election of 2005, A (2006)	2/22/2006	56,785	820	3.88	3.88	2016
Election of 2005, B (2006)	2/22/2006	80,200	1,035	3.88	3.88	2016
Election of 2005, C (2006)	2/22/2006	210,000	6,595	5.00	5.00	2016
Election of 2004, G (2006)	8/17/2006	400,000	12,445	4.00	5.00	2016
2006B Refunding	11/15/2006	574,905	63,955	5.00	5.00	2016
2007A-1 Refunding	1/31/2007	1,153,195	1,118,785	4.00	5.00	2028
2007A-2 Refunding	1/31/2007	136,055	136,055	4.25	4.50	2028
Election of 2002, B (2007)	2/22/2007	500,000	242,540	4.00	5.00	2031
2007B Refunding	2/22/2007	24,845	24,650	5.00	5.00	2019
Election of 2002, C (2007)	8/16/2007	150,000	62,565	4.00	5.00	2032
Election of 2004, H (2007)	8/16/2007	550,000	228,850	5.00	5.00	2032
Election of 2005, E (2007)	8/16/2007	300,000	125,960	4.75	5.00	2032
Election of 2002, D (2009)	2/19/2009	250,000	208,195	3.13	5.30	2034
Election of 2004, I (2009)	2/19/2009	550,000	439,585	5.00	5.25	2034
Election of 2005, F (2009)	2/19/2009	150,000	125,320	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	72,580	4.00	5.00	2020
2009A Refunding	10/15/2009	74,765	24,235	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	55,405	2.75	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	166,710	3.00	5.00	2024
2011A-2 Refunding	11/1/2011	201,070	152,770	4.00	5.00	2023
2012A Refunding	5/8/2012	156,000	140,445	2.00	5.00	2028
2014A Refunding	6/26/2014	196,850	178,330	3.00	5.00	2022
2014B Refunding	6/26/2014	323,170	323,170	5.00	5.00	2026
2014C Refunding	6/26/2014	948,795	947,240	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	36,355	4.00	5.00	2017
Election of 2005, K (2014)	8/19/2014	35,465	22,990	1.00	5.00	2020
Election of 2004, K (2014)	8/19/2014	7,045	3,695	0.68	1.10	2017
Election of 2005, L (2014)	8/19/2014	25,150	13,205	0.68	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	577,400	3.00	5.00	2030
			<u>\$ 10,457,615</u>			*

* The total amount shown above excludes unamortized premium and discount of \$506.4 million.

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

LOS ANGELES UNIFIED SCHOOL DISTRICT

Notes to Basic Financial Statements

Year Ended June 30, 2016

On April 5, 2016, the District issued \$1,226.355 million of GO Bonds consisting of \$648.955 million of New Money GO bonds to fund capital projects and \$577.400 million of Refunding GO bonds to generate taxpayer debt service savings. The \$648.955 million of New Money GO bonds was the inaugural bond sale under Measure Q, the \$7 billion bond measure that was approved by the voters in November 2008. The \$577.400 million of Refunding GO bonds refunded \$661.165 million of bonds that had been issued in 2006, generating approximately \$120.69 million in total savings over the life of the bonds, or \$105.91 million in net present value savings (over 16% 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, 2016, \$1.935 billion 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. As of June 30, 2016, there was no arbitrage payable due to the IRS.

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 and early retirement incentive 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 2016, 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.

LOS ANGELES UNIFIED SCHOOL DISTRICT

Notes to Basic Financial Statements

Year Ended June 30, 2016

(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, 2016 are as follows (in thousands):

<u>Fund Group</u>	<u>Fund</u>	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
General	Unrestricted	\$ 13,000	\$ —
	Total General	13,000	—
Special Revenue	Child Development	—	13,000
	Total Special Revenue	—	13,000
	Total Interfund Receivables/Payables	<u>\$ 13,000</u>	<u>\$ 13,000</u>

LOS ANGELES UNIFIED SCHOOL DISTRICT

Notes to Basic Financial Statements

Year Ended June 30, 2016

(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, 2016 were as follows (in thousands):

From	To	Purpose	Amount
General	Adult Education	Adult education	\$ 2
General	Cafeteria	Cafeteria support	21,657
General	Child Development	Child development support	29,944
General	Capital Services	Debt service	33,725
General	Building – Measure K	Reimbursement of capital expenditures	227
General	Building – Measure R	Reimbursement of capital expenditures	16
General	Building – Measure Y	Reimbursement of capital expenditures	33
General	Health & Welfare	Medical Part D subsidy	4,290
Adult Education	General	Reimbursement of expenditures	902
Adult Education	Building – Bond Proceeds	Reimbursement of capital expenditures	1
Adult Education	Building – Measure R	Reimbursement of capital expenditures	1
Building	Building – Measure R	Reimbursement of capital expenditures	440
Special Reserve	Adult Education	Reimbursement of capital expenditures	903
Special Reserve	Building – Measure K	Reimbursement of capital expenditures	2
Special Reserve	Building – Measure R	Reimbursement of capital expenditures	557
Special Reserve	Building – Measure Y	Reimbursement of capital expenditures	2,467
Special Reserve	County School Facilities Bonds – Prop 47	Reimbursement of capital expenditures	275
Special Reserve – CRA	General	Reimbursement of capital expenditures	30,000
Capital Facilities	Capital Services	Debt service	9,573
Capital Facilities	Building – Measure K	Reimbursement of capital expenditures	299
Capital Facilities	Building – Measure R	Reimbursement of capital expenditures	1,915
Capital Facilities	Building – Measure Y	Reimbursement of capital expenditures	18,410
Capital Facilities	County School Facilities Bonds – Prop 47	Reimbursement of capital expenditures	37
Building – Bond Proceeds	Building – Measure R	Reimbursement of capital expenditures	4,000
Building – Bond Proceeds	County School Facilities Bonds – Prop 47	Reimbursement of capital expenditures	455
Building – Measure K	Building – Measure R	Reimbursement of capital expenditures	3,627
Building – Measure K	Building – Measure Y	Reimbursement of capital expenditures	6,445
Building – Measure K	County School Facilities Bonds – Prop 47	Reimbursement of capital expenditures	528
Building – Measure Q	General	Reimbursement of capital expenditures	19,976
Building – Measure Q	Building – Measure K	Reimbursement of capital expenditures	3
Building – Measure Q	Building – Measure R	Reimbursement of capital expenditures	234
Building – Measure Q	Building – Measure Y	Reimbursement of capital expenditures	95
Building – Measure Q	Special Reserve	Reimbursement of capital expenditures	4
Building – Measure R	General	Reimbursement of capital expenditures	222
Building – Measure R	Special Reserve	Reimbursement of capital expenditures	1,797
Building – Measure R	Building – Bond Proceeds	Reimbursement of capital expenditures	1
Building – Measure R	Building – Measure K	Reimbursement of capital expenditures	416
Building – Measure R	Building – Measure Y	Reimbursement of capital expenditures	799
Building – Measure R	County School Facilities Bonds – Prop 47	Reimbursement of capital expenditures	734
Building – Measure Y	General	Reimbursement of capital expenditures	103
Building – Measure Y	Cafeteria	Reimbursement of capital expenditures	35
Building – Measure Y	Special Reserve	Reimbursement of capital expenditures	952
Building – Measure Y	Special Reserve - CRA	Reimbursement of capital expenditures	4
Building – Measure Y	Building – Measure K	Reimbursement of capital expenditures	295
Building – Measure Y	Building – Measure R	Reimbursement of capital expenditures	144
Building – Measure Y	County School Facilities Bonds – Prop 47	Reimbursement of capital expenditures	48
County School Facilities Bonds – Prop 47	General	Reimbursement of capital expenditures	6
County School Facilities Bonds – Prop 47	Special Reserve	Reimbursement of capital expenditures	100
County School Facilities Bonds – Prop 47	Capital Facilities	Reimbursement of capital expenditures	247
County School Facilities Bonds – Prop 47	Building – Bond Proceeds	Reimbursement of capital expenditures	43
County School Facilities Bonds – Prop 47	Building – Measure K	Reimbursement of capital expenditures	25,657
County School Facilities Bonds – Prop 47	Building – Measure R	Reimbursement of capital expenditures	13,059
County School Facilities Bonds – Prop 47	Building – Measure Y	Reimbursement of capital expenditures	6,490
Total			<u>\$ 242,195</u>

LOS ANGELES UNIFIED SCHOOL DISTRICT

Notes to Basic Financial Statements

Year Ended June 30, 2016

(14) Fund Equity

The following is a summary of nonspendable, restricted, assigned, and unassigned fund balances at June 30, 2016 (in thousands):

	General	District Bonds	Bond Interest and Redemption	Other Governmental
Nonspendable:				
Revolving cash and imprest funds	\$ 2,733	\$ 3,633	\$ —	\$ 27
Inventories	18,688	—	—	7,078
Prepays	9,634	—	—	—
Total Nonspendable Balances	31,055	3,633	—	7,105
Restricted for:				
Child Nutrition: School Programs	—	—	—	38,677
Medi-Cal Billing Options	8,297	—	—	—
FEMA Public Assistance Funds	139	—	—	3,928
California Clean Energy Jobs Act	70,364	—	—	—
Educator Effectiveness	39,355	—	—	—
School Mental Health Medi-Cal Rehabilitation	5,589	—	—	—
Medi-Cal Electronic Health Record Incentive	494	—	—	—
English Language Acquisition Program, Teacher Training & Student Assistance	3,411	—	—	—
GF-Lottery: Instructional Materials	65	—	—	—
Special Education	3,616	—	—	—
Economic Impact Aid: Limited English Proficiency (LEP)	1,398	—	—	—
Quality Education Investment Act (QEIA)	12,311	—	—	—
State School Facilities Projects	—	—	—	438,926
California Energy Commission Loan Expenditures	397	—	—	—
Employment Training Panel-Regional Occupational Centers and Programs	330	—	—	—
Ongoing and Major Maintenance Account	31,465	—	—	—
Prop 84 Stormwater Grant Reimbursement	—	—	—	70
CDE Grant Olive Vista Middle School	—	—	—	4
Division of State Architect Certification/Close out	—	—	—	1,594
Capital Projects	—	—	—	128,732
B.E.S.T. Behavior – Special Education	7	—	—	—
Certificates of Participation (Acquisition Accounts) Proceeds	5,223	—	—	—
Clean Cities Grant	86	—	—	—
Cognitive Behavioral Intervention Therapy	205	—	—	—
Adult Education Block Grant Program	—	—	—	17,701
Adult Education Block Grant Data & Accountability	—	—	—	3,810
Debt Service Reserve	—	—	781,386	57,008
District Bonds	—	988,776	—	—
Total Restricted Balances	182,752	988,776	781,386	690,450
Committed to:				
2017 Fiscal Stabilization Plan	218,300	—	—	—
Assigned to:				
Subsequent year expenditures	558,701	—	—	198,055
Unassigned				
Reserved for economic uncertainties	72,376	—	—	—
Unassigned	246,997	—	—	—
Total Fund Balances	\$ 1,310,181	\$ 992,409	\$ 781,386	\$ 895,610

LOS ANGELES UNIFIED SCHOOL DISTRICT

Notes to Basic Financial Statements

Year Ended June 30, 2016

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

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

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

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

Unassigned fund balances represent all other spendable amounts.

General Fund is the only fund that reports a positive unassigned fund balance, as it is not appropriate to report a positive unassigned fund balance in other governmental funds except where expenditures incurred for specific purposes exceed the amounts that are restricted, committed or assigned for those purposes. In such case, a negative unassigned fund balance may be reported.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the District considers restricted funds to have been spent first. When an expenditure is incurred for which amounts in any of the unrestricted classifications of fund balance could be used, the District considers committed amounts to be reduced first, followed by assigned amounts, and then 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 that may be developed to restore reserve balances.

LOS ANGELES UNIFIED SCHOOL DISTRICT

Notes to Basic Financial Statements

Year Ended June 30, 2016

(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.

(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 2015-16 the District entered into approximately 69 contracts with a combined value of \$100.3 million. The durations of the contracts range from one month to nearly two years.

(16) Subsequent Events

On September 15, 2016, the District issued \$500.855 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). 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.

LOS ANGELES UNIFIED SCHOOL DISTRICT
Required Supplementary Information
Schedule of Funding Progress for Postemployment Healthcare Benefits
Year Ended June 30, 2016
(Dollar amounts in thousands)

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (AVA)</u>	<u>Actuarial Accrued Liability (Entry Age Normal) (AAL)</u>	<u>Unfunded Actuarial Accrued Liability (UAAL)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAAL as a Percentage of Covered Payroll</u>
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, 2016
(Dollar amounts in thousands)

	2014-2015	2015-2016
Total Pension Liability		
Service Cost	\$ 8,284	\$ 8,240
Interest on total pension liability	22,121	23,128
Differences between expected and actual experience	—	(4,558)
Changes in assumptions	—	(5,860)
Changes in benefits	—	—
Benefit payments, including refunds of employee contributions	(12,325)	(12,853)
Net change in total pension liability	18,080	8,097
Total pension liability – beginning	296,973	315,053
Total pension liability – ending (a)	315,053	323,150
Plan fiduciary net position		
Contributions – employer	8,341	9,347
Contributions – employee	2,717	2,825
Net investment income (net of administrative expenses)	37,066	5,184
Benefit payments	(12,325)	(12,853)
Plan to Plan Resource Movement	—	1
Net change in plan fiduciary net position	35,799	4,505
Plan fiduciary net position – beginning	213,160	248,959
Plan fiduciary net position – ending (b)	248,959	253,464
Net pension liability – ending (a) - (b)	\$ 66,094	\$ 69,686
Plan fiduciary net position as a percentage of the total pension liability	79.02%	78.44%
Covered – employee payroll	\$ 26,213	\$ 27,384
Net pension liability as percentage of covered – employee payroll	252.14%	254.48%

* Fiscal year 2014-15 was the first year of implementation, therefore only two 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, 2016
(Dollar amounts in thousands)

	2014-2015	2015-2016
Actuarially determined contribution	\$ 9,342	\$ 10,397
Contributions in relation to the actuarially determined contributions	(9,342)	(10,397)
Contribution deficiency (excess)	<u>\$ —</u>	<u>\$ —</u>
Covered – employee payroll	\$ 39,837	\$ 42,476
Contributions as a percentage of covered – employee payroll	23.45%	24.48%

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
Actuarial cost method	Entry Age Normal Cost Method	Entry Age Normal Cost Method
Amortization method	Level Percent of Payroll	Level Percent of Payroll
Asset valuation method	15 Year Smoothed Market	Market Value of Assets
Inflation	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
Payroll Growth	3.0%	3.0%
Investment rate of return	7.5% net of pension plan investment and administrative expenses; includes inflation.	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.
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.

* Fiscal year 2014-15 was the first year of implementation, therefore only two 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, 2016
(Dollar amounts in thousands)

1. Schedule of District Proportionate Share of the Net Pension Liability and Related Ratios

	<u>2014-2015</u>	<u>2015-2016</u>
District's proportion of the net pension liability (asset)	9.3936%	8.7047%
District's proportionate share of the net pension liability (asset) \$	1,066,402	\$ 1,283,081
District's covered-employee payroll	839,116	1,016,759
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	127.09%	126.19%
Plan fiduciary net position as a percentage of the total pension liability	83.38%	79.43%

2. Schedule of District Contributions

	<u>2014-2015</u>	<u>2015-2016</u>
Contractually required contribution		
District contributions \$	113,398	\$ 119,193
Contributions in relation to the contractually required contribution	113,398	119,193
Contribution deficiency (excess) \$	—	\$ —
District's covered-employee payroll	1,016,759	1,078,634
Contributions as a percentage of covered-employee payroll	11.15%	11.05%

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
Actuarial cost method	Entry Age Normal	Entry Age Normal
Amortization method	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.
Asset valuation method	Actuarial value of Assets	Market value of Assets
Inflation	2.75%	2.75%
Salary increases	Varies by entry age and duration of service	Varies by entry age and duration of service
Investment rate of return	7.50%	7.50%
Retirement age	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.

* Fiscal year 2014-15 was the first year of implementation, therefore only two 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, 2016
(Dollar amounts in thousands)

1. Schedule of District Proportionate Share of the Net Pension Liability and Related Ratios

	<u>2014-2015</u>		<u>2015-2016</u>
District's proportion of the net pension liability (asset)	5.7380%		5.9320%
District's proportionate share of the net pension liability (asset)	\$ 3,353,000	\$	3,993,660
District's covered-employee payroll	2,585,154		2,771,643
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	129.70%		144.09%
Plan fiduciary net position as a percentage of the total pension liability	76.52%		74.02%

2. Schedule of District Contributions

	<u>2014-2015</u>		<u>2015-2016</u>
Contractually required contribution			
District contributions	\$ 245,474	\$	302,716
Contributions in relation to the contractually required contribution	245,474		302,716
Contribution deficiency (excess)	\$ —	\$	—
District's covered-employee payroll	2,771,643		2,834,892
Contributions as a percentage of covered-employee payroll	8.86%		10.68%

Notes to Schedule:

The actuarial methods and assumptions used to set the actuarially determined contributions are as follows:

Valuation date	6/30/2014	6/30/2015
Actuarial cost method	Entry Age Normal	Entry Age Normal
Amortization method	Level Percent of Payroll	Level Percent of Payroll
Remaining amortization period	30 years	32 years
Asset valuation method	Expected Value with 33% adjustment to Market Value	Expected Value with 33% adjustment to Market Value
Inflation	3.00%	3.00%
Salary increases	3.75%	3.75%
Investment rate of return	7.50%	7.50%
Retirement age	Experience Tables	Experience Tables
Mortality	RP-2000 Series Table	RP-2000 Series Table

* Fiscal year 2014-15 was the first year of implementation, therefore only two 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, 2016
(in thousands)

	Budget			Variance with Final Budget – Favorable (Unfavorable)
	Original	Final	Actual	
Revenues:				
Other local revenues	\$ 6,650	\$ 10,094	\$ 17,345	\$ 7,251
Total Revenues	<u>6,650</u>	<u>10,094</u>	<u>17,345</u>	<u>7,251</u>
Expenditures:				
Current:				
Classified salaries	108,551	159,628	56,922	102,706
Employee benefits	24,751	52,113	24,542	27,571
Books and supplies	97	74,936	2,631	72,305
Services and other operating expenditures	1,108	272,640	22,580	250,060
Capital outlay	1,094,087	488,517	303,502	185,015
Total Expenditures	<u>1,228,594</u>	<u>1,047,834</u>	<u>410,177</u>	<u>637,657</u>
Excess (Deficiency) of Revenues				
Over (Under) Expenditures	<u>(1,221,944)</u>	<u>(1,037,740)</u>	<u>(392,832)</u>	<u>644,908</u>
Other Financing Sources (Uses):				
Transfers in	—	85,676	85,676	—
Transfers out	(30,000)	(51,022)	(40,915)	10,107
Issuance of bonds	1,242,140	1,242,140	648,955	(593,185)
Total Other Financing Sources (Uses)	<u>1,212,140</u>	<u>1,276,794</u>	<u>693,716</u>	<u>(583,078)</u>
Net Changes in Fund Balances	<u>(9,804)</u>	<u>239,054</u>	<u>300,884</u>	<u>61,830</u>
Fund Balances, July 1, 2015	<u>778,128</u>	<u>691,525</u>	<u>691,525</u>	<u>—</u>
Fund Balances, June 30, 2016	<u>\$ 768,324</u>	<u>\$ 930,579</u>	<u>\$ 992,409</u>	<u>\$ 61,830</u>

See accompanying independent auditor's report.

LOS ANGELES UNIFIED SCHOOL DISTRICT
Bond Interest and Redemption Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual
Year Ended June 30, 2016
(in thousands)

	Budget		Actual	Variance with Final Budget – Favorable (Unfavorable)
	Original	Final		
Revenues:				
Federal revenues	\$ 68,369	\$ 68,368	\$ 68,553	\$ 185
Other state revenues	5,312	5,312	3,823	(1,489)
Other local revenues	804,744	804,744	765,225	(39,519)
Total Revenues	<u>878,425</u>	<u>878,424</u>	<u>837,601</u>	<u>(40,823)</u>
Expenditures:				
Debt service – principal	341,385	745,625	404,240	341,385
Debt service – refunding bond issuance cost	—	1,773	1,079	694
Debt service – bond, COP's, and capital leases interest	537,040	912,331	508,171	404,160
Total Expenditures	<u>878,425</u>	<u>1,659,729</u>	<u>913,490</u>	<u>746,239</u>
Excess (Deficiency) of Revenues				
Over (Under) Expenditures	<u>—</u>	<u>(781,305)</u>	<u>(75,889)</u>	<u>705,416</u>
Other Financing Sources (Uses):				
Issuance of refunding bonds	—	577,400	577,400	—
Premium on bonds issued	—	82,789	82,789	—
Premium on refunding bonds issued	—	100,400	100,400	—
Payment to refunded bond escrow agent	—	(676,721)	(676,721)	—
Total Other Financing Sources	<u>—</u>	<u>83,868</u>	<u>83,868</u>	<u>—</u>
Net Changes in Fund Balances	<u>—</u>	<u>(697,437)</u>	<u>7,979</u>	<u>705,416</u>
Fund Balances, July 1, 2015	<u>758,355</u>	<u>773,407</u>	<u>773,407</u>	<u>—</u>
Fund Balances, June 30, 2016	<u>\$ 758,355</u>	<u>\$ 75,970</u>	<u>\$ 781,386</u>	<u>\$ 705,416</u>

See accompanying independent auditor's report.

LOS ANGELES UNIFIED SCHOOL DISTRICT

Nonmajor Governmental Funds

Special Revenue Funds

The Adult Education Fund is used to account for resources committed to the operation of Community Adult Schools including educational programs funded by other government agencies. This Fund was established as authorized by State Education Code Section 42238. Revenues are primarily derived from State apportionments, federal subventions, investment income, and adult education fees.

The Child Development Fund is used to account for resources committed to the operation of the District's child development programs. Revenues are primarily derived from federal and state grants and apportionments, early education center fees, and investment income.

The Cafeteria Fund is used to account for resources designated for the operation of the District's food services programs. Revenues are primarily derived from federal and state subsidies, food sales, and investment income. Since the primary source of revenues is from federal and state subsidies rather than food sales, this fund is classified as a Special Revenue Fund rather than as an Enterprise Fund.

Debt Service Funds

The Tax Override Fund is used to account for the accumulation of resources from ad valorem tax levies for the repayment of State School Building Aid Fund apportionments. The loan was paid in full in May 2010.

The Capital Services Fund is used to account for the accumulation of resources for the repayment of principal and interest on Certificates of Participation and long-term capital lease agreements. Revenues are derived primarily from operating transfers from user funds and investment income.

Capital Projects Funds

The Building Fund is used to account for revenue from rentals and leases of real property and other resources designated for facility expansion.

The Capital Facilities Account Fund was established on January 1, 1987 in accordance with Section 53080 of the California Government Code and is used to account for resources received from fees levied upon new residential, commercial, or industrial development projects within the District's boundaries in order to obtain funds for the construction or acquisition of school facilities to relieve overcrowding.

The State School Building Lease - Purchase Fund is used to account for State apportionments received in accordance with State Education Code Sections 17700-17780. Projects are funded by the State subject to appropriation of funds in the State Budget. The District may be required to transfer to this fund any available moneys from other funds as the District's contribution to a particular project.

The County School Facilities Bonds Fund is used to account for apportionments received from the 1998 State School Facilities Fund (Proposition 1A), the 2002 State School Facilities Fund (Proposition 47), the 2004 State School Facilities Fund (Proposition 55), and the 2006 State School Facilities Fund (Proposition 1D).

The Special Reserve Fund 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, 2016
(in thousands)

Special Revenue				
	Adult Education	Child Development	Cafeteria	Total
Assets:				
Cash in county treasury, in banks, and on hand	\$ 28,440	\$ 15,042	\$ 32,534	\$ 76,016
Cash held by trustee	—	—	—	—
Accounts receivable – net	4,255	3,851	15,218	23,324
Accrued interest receivable	61	5	52	118
Inventories	—	—	7,078	7,078
Total Assets	32,756	18,898	54,882	106,536
Deferred Outflows of Resources	—	—	—	—
Total Assets and Deferred Outflows of Resources	\$ 32,756	\$ 18,898	\$ 54,882	\$ 106,536
Liabilities and Fund Balances:				
Vouchers and accounts payable	\$ 1,735	\$ 359	\$ 5,534	\$ 7,628
Contracts payable	9	—	—	9
Accrued payroll	2,851	4,426	2,657	9,934
Other payables	297	211	482	990
Due to other funds	—	13,000	—	13,000
Unearned revenue	51	423	454	928
Total Liabilities	4,943	18,419	9,127	32,489
Deferred Inflows of Resources	—	—	—	—
Fund Balances:				
Nonspendable	26	1	7,078	7,105
Restricted	21,511	—	38,677	60,188
Assigned	6,276	478	—	6,754
Total Fund Balances	27,813	479	45,755	74,047
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 32,756	\$ 18,898	\$ 54,882	\$ 106,536

See accompanying independent auditors' report.

Debt Service

Tax Override	Capital Services	Total
\$ 389	\$ 10,555	\$ 10,944
—	46,030	46,030
—	—	—
1	33	34
—	—	—
390	56,618	57,008
—	—	—
\$ 390	\$ 56,618	\$ 57,008
\$ —	\$ —	\$ —
—	—	—
—	—	—
—	—	—
—	—	—
—	—	—
—	—	—
—	—	—
—	—	—
—	—	—
—	—	—
390	56,618	57,008
—	—	—
390	56,618	57,008
\$ 390	\$ 56,618	\$ 57,008

(Continued)

LOS ANGELES UNIFIED SCHOOL DISTRICT
Nonmajor Governmental Funds
Combining Balance Sheet (Continued)
June 30, 2016
(in thousands)

	Capital			
	Building	Capital Facilities Account	State School Building Lease – Purchase	County School Facilities Bonds
Assets:				
Cash in county treasury, in banks, and on hand	\$ 8,153	\$ 180,337	\$ 12,066	\$ 433,996
Cash held by trustee	—	—	—	—
Accounts receivable – net	—	5,417	—	1
Accrued interest receivable	26	532	38	1,346
Inventories	—	—	—	—
Total Assets	<u>8,179</u>	<u>186,286</u>	<u>12,104</u>	<u>435,343</u>
Deferred Outflows of Resources	—	—	—	—
Total Asset and Deferred Outflows of Resources	<u>\$ 8,179</u>	<u>\$ 186,286</u>	<u>\$ 12,104</u>	<u>\$ 435,343</u>
Liabilities and Fund Balances:				
Vouchers and accounts payable	\$ 4	\$ 142	\$ 132	\$ 580
Contracts payable	—	5,103	175	1,632
Accrued payroll	—	24	—	89
Other payables	—	76	5,784	129
Due to other funds	—	—	—	—
Unearned revenue	—	—	—	—
Total Liabilities	<u>4</u>	<u>5,345</u>	<u>6,091</u>	<u>2,430</u>
Deferred Inflows of Resources	—	—	—	—
Fund Balances:				
Nonspendable	—	—	—	—
Restricted	—	—	6,013	432,913
Assigned	8,175	180,941	—	—
Total Fund Balances	<u>8,175</u>	<u>180,941</u>	<u>6,013</u>	<u>432,913</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 8,179</u>	<u>\$ 186,286</u>	<u>\$ 12,104</u>	<u>\$ 435,343</u>

See accompanying independent auditors' report.

Projects					
Special Reserve – Community Redevelopment Agency	Special Reserve	Special Reserve – FEMA – Earthquake	Special Reserve – FEMA – Hazard Mitigation	Total	Total Nonmajor Governmental Funds
\$ 44,247	\$ 92,286	\$ 5,938	\$ 2,067	\$ 779,090	\$ 866,050
—	1,713	—	—	1,713	47,743
—	—	—	—	5,418	28,742
197	268	20	7	2,434	2,586
—	—	—	—	—	7,078
44,444	94,267	5,958	2,074	788,655	952,199
—	—	—	—	—	—
<u>\$ 44,444</u>	<u>\$ 94,267</u>	<u>\$ 5,958</u>	<u>\$ 2,074</u>	<u>\$ 788,655</u>	<u>\$ 952,199</u>
\$ 145	\$ 7,852	\$ 38	—	\$ 8,893	\$ 16,521
—	17	288	—	7,215	7,224
85	65	—	—	263	10,197
—	1,740	—	—	7,729	8,719
—	—	—	—	—	13,000
—	—	—	—	—	928
230	9,674	326	—	24,100	56,589
—	—	—	—	—	—
—	—	—	—	—	7,105
44,214	84,593	5,521	—	573,254	690,450
—	—	111	2,074	191,301	198,055
44,214	84,593	5,632	2,074	764,555	895,610
<u>\$ 44,444</u>	<u>\$ 94,267</u>	<u>\$ 5,958</u>	<u>\$ 2,074</u>	<u>\$ 788,655</u>	<u>\$ 952,199</u>

LOS ANGELES UNIFIED SCHOOL DISTRICT
Nonmajor Governmental Funds
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Year Ended June 30, 2016
(in thousands)

	Special Revenue			
	Adult Education	Child Development	Cafeteria	Total
Revenues:				
Federal revenues	\$ 14,147	\$ 3,584	\$ 322,287	\$ 340,018
Other state revenues	102,874	106,063	22,519	231,456
Other local revenues	882	6,780	7,877	15,539
Total Revenues	<u>117,903</u>	<u>116,427</u>	<u>352,683</u>	<u>587,013</u>
Expenditures:				
Current:				
Certificated salaries	41,469	41,088	—	82,557
Classified salaries	12,119	45,085	86,886	144,090
Employee benefits	27,006	48,736	80,780	156,522
Books and supplies	6,668	3,724	171,407	181,799
Services and other operating expenditures	5,142	2,414	4,011	11,567
Capital outlay	204	—	1,231	1,435
Debt service – principal	—	79	—	79
Debt service - bond, COP's, and capital leases interest	—	—	—	—
Transfers of indirect costs - interfund	2,908	5,317	12,480	20,705
Total Expenditures	<u>95,516</u>	<u>146,443</u>	<u>356,795</u>	<u>598,754</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>22,387</u>	<u>(30,016)</u>	<u>(4,112)</u>	<u>(11,741)</u>
Other Financing Sources (Uses):				
Transfers in	905	29,944	21,692	52,541
Transfers out	(905)	—	—	(905)
Total Other Financing Sources (Uses)	<u>—</u>	<u>29,944</u>	<u>21,692</u>	<u>51,636</u>
Net Changes in Fund Balances	<u>22,387</u>	<u>(72)</u>	<u>17,580</u>	<u>39,895</u>
Fund Balances, July 1, 2015	<u>5,426</u>	<u>551</u>	<u>28,175</u>	<u>34,152</u>
Fund Balances, June 30, 2016	<u>\$ 27,813</u>	<u>\$ 479</u>	<u>\$ 45,755</u>	<u>\$ 74,047</u>

See accompanying independent auditor's report.

Debt Service

Tax Override	Capital Services	Total
\$ —	\$ 573	\$ 573
—	—	—
3	265	268
3	838	841
—	—	—
—	—	—
—	—	—
—	—	—
—	—	—
—	29,811	29,811
—	13,525	13,525
—	—	—
—	43,336	43,336
3	(42,498)	(42,495)
—	43,298	43,298
—	—	—
—	43,298	43,298
3	800	803
387	55,818	56,205
<u>\$ 390</u>	<u>\$ 56,618</u>	<u>\$ 57,008</u>

(Continued)

LOS ANGELES UNIFIED SCHOOL DISTRICT
Nonmajor Governmental Funds
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances (Continued)
Year Ended June 30, 2016
(in thousands)

	Capital			
	Building	Capital Facilities Account	State School Building Lease – Purchase	County School Facilities Bonds
Revenues:				
Federal revenues	\$ —	\$ —	\$ —	\$ —
Other state revenues	—	—	—	44,076
Other local revenues	440	76,938	95	3,429
Total Revenues	<u>440</u>	<u>76,938</u>	<u>95</u>	<u>47,505</u>
Expenditures:				
Current:				
Certificated salaries	—	—	—	—
Classified salaries	—	432	—	1,669
Employee benefits	—	193	—	749
Books and supplies	—	1	—	50
Services and other operating expenditures	—	4,585	—	5,055
Capital outlay	—	36,374	—	34,680
Debt service – principal	—	—	—	—
Debt service – bond, COP's, and capital leases interest	—	—	—	—
Transfers of indirect costs - interfund	—	—	—	—
Total Expenditures	<u>—</u>	<u>41,585</u>	<u>—</u>	<u>42,203</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>440</u>	<u>35,353</u>	<u>95</u>	<u>5,302</u>
Other Financing Sources (Uses):				
Transfers in	—	247	—	2,077
Transfers out	(440)	(30,234)	—	(45,602)
Total Other Financing Sources (Uses)	<u>(440)</u>	<u>(29,987)</u>	<u>—</u>	<u>(43,525)</u>
Net Changes in Fund Balances	—	5,366	95	(38,223)
Fund Balances, July 1, 2015	8,175	175,575	5,918	471,136
Fund Balances, June 30, 2016	<u>\$ 8,175</u>	<u>\$ 180,941</u>	<u>\$ 6,013</u>	<u>\$ 432,913</u>

See accompanying independent auditor's report.

Projects					
Special Reserve – Community Redevelopment Agency	Special Reserve	Special Reserve – FEMA – Earthquake	Special Reserve – FEMA – Hazard Mitigation	Total	Total Nonmajor Governmental Funds
\$ —	\$ 28	\$ —	\$ —	\$ 28	\$ 340,619
—	85	—	—	44,161	275,617
25,316	16,264	53	16	122,551	138,358
25,316	16,377	53	16	166,740	754,594
—	—	—	—	—	82,557
1,711	1,526	59	—	5,397	149,487
814	684	23	—	2,463	158,985
166	437	—	—	654	182,453
730	5,624	154	—	16,148	27,715
—	6,990	1,366	—	79,410	80,845
—	—	—	—	—	29,890
—	—	—	—	—	13,525
—	—	—	—	—	20,705
3,421	15,261	1,602	—	104,072	746,162
21,895	1,116	(1,549)	16	62,668	8,432
4	2,853	—	—	5,181	101,020
(30,000)	(4,204)	—	—	(110,480)	(111,385)
(29,996)	(1,351)	—	—	(105,299)	(10,365)
(8,101)	(235)	(1,549)	16	(42,631)	(1,933)
52,315	84,828	7,181	2,058	807,186	897,543
\$ 44,214	\$ 84,593	\$ 5,632	\$ 2,074	\$ 764,555	\$ 895,610

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, 2016
(in thousands)

	Adult Education			Variance with Final Budget – Favorable (Unfavorable)
	Budget		Actual	
	Original	Final		
Revenues:				
Federal revenues	\$ 19,506	\$ 14,685	\$ 14,147	\$ (538)
Other state revenues	72,185	103,076	102,874	(202)
Other local revenues	2,417	1,790	882	(908)
Total Revenues	94,108	119,551	117,903	(1,648)
Expenditures:				
Current:				
Certificated salaries	27,877	41,561	41,469	92
Classified salaries	10,328	12,134	12,119	15
Employee benefits	7,620	27,376	27,006	370
Books and supplies	43,432	33,152	6,668	26,484
Services and other operating expenditures	4,983	6,443	5,142	1,301
Capital outlay	2,292	1,343	204	1,139
Debt Service – principal	—	—	—	—
Transfers of indirect costs - interfund	2,586	2,934	2,908	26
Total Expenditures	99,118	124,943	95,516	29,427
Excess (Deficiency) of Revenues Over (Under) Expenditures	(5,010)	(5,392)	22,387	27,779
Other Financing Sources (Uses):				
Transfers in	—	903	905	2
Transfers out	—	(906)	(905)	1
Total Other Financing Sources (Uses)	—	(3)	—	3
Net Changes in Fund Balances	(5,010)	(5,395)	22,387	27,782
Fund Balances, July 1, 2015	5,050	5,426	5,426	—
Fund Balances, June 30, 2016	\$ 40	\$ 31	\$ 27,813	\$ 27,782

See accompanying independent auditor's report.

Child Development				Cafeteria			
Budget		Actual	Variance with Final Budget – Favorable (Unfavorable)	Budget		Actual	Variance with Final Budget – Favorable (Unfavorable)
Original	Final			Original	Final		
\$ 28,202	\$ 4,908	\$ 3,584	\$ (1,324)	\$ 314,403	\$ 309,306	\$ 322,287	\$ 12,981
76,186	101,031	106,063	5,032	21,883	21,698	22,519	821
7,061	7,338	6,780	(558)	8,957	7,895	7,877	(18)
111,449	113,277	116,427	3,150	345,243	338,899	352,683	13,784
41,574	42,405	41,088	1,317	—	—	—	—
47,137	47,737	45,085	2,652	94,382	95,391	86,886	8,505
46,392	49,021	48,736	285	76,005	81,749	80,780	969
6,804	4,385	3,724	661	215,386	182,019	171,407	10,612
5,159	5,264	2,414	2,850	3,174	4,564	4,011	553
—	—	—	—	3,203	1,318	1,231	87
475	475	79	396	—	—	—	—
5,462	5,543	5,317	226	14,372	14,395	12,480	1,915
153,003	154,830	146,443	8,387	406,522	379,436	356,795	22,641
(41,554)	(41,553)	(30,016)	11,537	(61,279)	(40,537)	(4,112)	36,425
41,003	41,003	29,944	(11,059)	60,804	32,819	21,692	(11,127)
—	—	—	—	—	—	—	—
41,003	41,003	29,944	(11,059)	60,804	32,819	21,692	(11,127)
(551)	(550)	(72)	478	(475)	(7,718)	17,580	25,298
552	551	551	—	21,674	28,175	28,175	—
\$ 1	\$ 1	\$ 479	\$ 478	\$ 21,199	\$ 20,457	\$ 45,755	\$ 25,298

(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, 2016
(in thousands)

	Total			Variance with Final Budget – Favorable (Unfavorable)
	Budget		Actual	
	Original	Final		
Revenues:				
Federal revenues	\$ 362,111	\$ 328,899	\$ 340,018	\$ 11,119
Other state revenues	170,254	225,805	231,456	5,651
Other local revenues	18,435	17,023	15,539	(1,484)
Total Revenues	<u>550,800</u>	<u>571,727</u>	<u>587,013</u>	<u>15,286</u>
Expenditures:				
Current:				
Certificated salaries	69,451	83,966	82,557	1,409
Classified salaries	151,847	155,262	144,090	11,172
Employee benefits	130,017	158,146	156,522	1,624
Books and supplies	265,622	219,556	181,799	37,757
Services and other operating expenditures	13,316	16,271	11,567	4,704
Capital outlay	5,495	2,661	1,435	1,226
Debt Service – principal	475	475	79	396
Transfers of indirect costs - interfund	22,420	22,872	20,705	2,167
Total Expenditures	<u>658,643</u>	<u>659,209</u>	<u>598,754</u>	<u>60,455</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(107,843)</u>	<u>(87,482)</u>	<u>(11,741)</u>	<u>75,741</u>
Other Financing Sources (Uses):				
Transfers in	101,807	74,725	52,541	(22,184)
Transfers out	—	(906)	(905)	1
Total Other Financing Sources (Uses)	<u>101,807</u>	<u>73,819</u>	<u>51,636</u>	<u>(22,183)</u>
Net Changes in Fund Balances	<u>(6,036)</u>	<u>(13,663)</u>	<u>39,895</u>	<u>53,558</u>
Fund Balances, July 1, 2015	<u>27,276</u>	<u>34,152</u>	<u>34,152</u>	<u>—</u>
Fund Balances, June 30, 2016	<u>\$ 21,240</u>	<u>\$ 20,489</u>	<u>\$ 74,047</u>	<u>\$ 53,558</u>

See accompanying independent auditor's report.



LOS ANGELES UNIFIED SCHOOL DISTRICT
Debt Service Funds
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual
Year Ended June 30, 2016
(in thousands)

	Tax Override			Variance with Final Budget – Favorable (Unfavorable)
	Budget		Actual	
	Original	Final		
Revenues:				
Federal revenues	\$ —	\$ —	\$ —	\$ —
Other local revenues	—	—	3	3
Total Revenues	—	—	3	3
Expenditures:				
Debt service – principal	—	—	—	—
Debt service - bond, COP's, and capital leases interest	386	387	—	387
Total Expenditures	386	387	—	387
Excess (Deficiency) of Revenues				
Over (Under) Expenditures	(386)	(387)	3	390
Other Financing Sources (Uses):				
Transfers in	—	—	—	—
Total Other Financing Sources	—	—	—	—
Net Changes in Fund Balances	(386)	(387)	3	390
Fund Balances, July 1, 2015	386	387	387	—
Fund Balances, June 30, 2016	\$ —	\$ —	\$ 390	\$ 390

See accompanying independent auditor's report.

Capital Services				Total			
Budget		Actual	Variance with Final Budget – Favorable (Unfavorable)	Budget		Actual	Variance with Final Budget – Favorable (Unfavorable)
Original	Final			Original	Final		
\$ 570	\$ 573	\$ 573	\$ —	\$ 570	\$ 573	\$ 573	\$ —
246	246	265	19	246	246	268	22
816	819	838	19	816	819	841	22
29,811	29,811	29,811	—	29,811	29,811	29,811	—
14,353	14,357	13,525	832	14,739	14,744	13,525	1,219
44,164	44,168	43,336	832	44,550	44,555	43,336	1,219
(43,348)	(43,349)	(42,498)	851	(43,734)	(43,736)	(42,495)	1,241
43,891	43,891	43,298	(593)	43,891	43,891	43,298	(593)
43,891	43,891	43,298	(593)	43,891	43,891	43,298	(593)
543	542	800	258	157	155	803	648
55,814	55,818	55,818	—	56,200	56,205	56,205	—
\$ 56,357	\$ 56,360	\$ 56,618	\$ 258	\$ 56,357	\$ 56,360	\$ 57,008	\$ 648

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, 2016
(in thousands)

	Building			Variance with Final Budget – Favorable (Unfavorable)
	Budget		Actual	
	Original	Final		
Revenues:				
Federal revenues	\$ —	\$ —	\$ —	\$ —
Other state revenues	—	—	—	—
Other local revenues	650	650	440	(210)
Total Revenues	650	650	440	(210)
Expenditures:				
Current:				
Classified salaries	—	—	—	—
Employee benefits	—	—	—	—
Books and supplies	—	—	—	—
Services and other operating expenditures	—	—	—	—
Capital outlay	8,560	177	—	177
Total Expenditures	8,560	177	—	177
Excess (Deficiency) of Revenues Over (Under) Expenditures	(7,910)	473	440	(33)
Other Financing Sources (Uses):				
Transfers in	—	—	—	—
Transfers out	—	(440)	(440)	—
Total Other Financing Sources (Uses)	—	(440)	(440)	—
Net Changes in Fund Balances	(7,910)	33	—	(33)
Fund Balances, July 1, 2015	7,910	8,175	8,175	—
Fund Balances, June 30, 2016	\$ —	\$ 8,208	\$ 8,175	\$ (33)

See accompanying independent auditor's report.

Capital Facilities Account				State School Building Lease – Purchase			
Budget		Actual	Variance with Final Budget – Favorable (Unfavorable)	Budget		Actual	Variance with Final Budget – Favorable (Unfavorable)
Original	Final			Original	Final		
\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
—	—	—	—	—	—	—	—
66,000	66,000	76,938	10,938	—	—	95	95
66,000	66,000	76,938	10,938	—	—	95	95
475	3,004	432	2,572	—	—	—	—
120	1,196	193	1,003	—	—	—	—
34	334	1	333	—	—	—	—
55,654	45,613	4,585	41,028	—	—	—	—
158,309	36,424	36,374	50	5,920	5,918	—	5,918
214,592	86,571	41,585	44,986	5,920	5,918	—	5,918
(148,592)	(20,571)	35,353	55,924	(5,920)	(5,918)	95	6,013
—	247	247	—	—	—	—	—
(9,576)	(30,237)	(30,234)	3	—	—	—	—
(9,576)	(29,990)	(29,987)	3	—	—	—	—
(158,168)	(50,561)	5,366	55,927	(5,920)	(5,918)	95	6,013
158,168	175,575	175,575	—	5,920	5,918	5,918	—
\$ —	\$ 125,014	\$ 180,941	\$ 55,927	\$ —	\$ —	\$ 6,013	\$ 6,013

(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, 2016
(in thousands)

	County School Facilities Bonds			Variance with Final Budget – Favorable (Unfavorable)
	Budget		Actual	
	Original	Final		
Revenues:				
Federal revenues	\$ —	\$ —	\$ —	\$ —
Other state revenues	42,624	42,624	44,076	1,452
Other local revenues	3,280	3,280	3,429	149
Total Revenues	45,904	45,904	47,505	1,601
Expenditures:				
Current:				
Classified salaries	—	7,500	1,669	5,831
Employee benefits	—	3,493	749	2,744
Books and supplies	—	1,444	50	1,394
Services and other operating expenditures	—	5,056	5,055	1
Capital outlay	243,528	35,008	34,680	328
Total Expenditures	243,528	52,501	42,203	10,298
Excess (Deficiency) of Revenues Over (Under) Expenditures	(197,624)	(6,597)	5,302	11,899
Other Financing Sources (Uses):				
Transfers in	—	2,077	2,077	—
Transfers out	—	(45,602)	(45,602)	—
Total Other Financing Sources (Uses)	—	(43,525)	(43,525)	—
Net Changes in Fund Balances	(197,624)	(50,122)	(38,223)	11,899
Fund Balances, July 1, 2015	420,145	471,136	471,136	—
Fund Balances, June 30, 2016	\$ 222,521	\$ 421,014	\$ 432,913	\$ 11,899

See accompanying independent auditors' report.

Special Reserve – Community Redevelopment Agency				Special Reserve			
Budget		Actual	Variance with Final Budget – Favorable (Unfavorable)	Budget		Actual	Variance with Final Budget – Favorable (Unfavorable)
Original	Final			Original	Final		
\$ —	\$ —	\$ —	\$ —	\$ —	\$ 1,717	\$ 28	\$ (1,689)
—	—	—	—	603	85	85	—
11,250	12,250	25,316	13,066	23,381	23,918	16,264	(7,654)
11,250	12,250	25,316	13,066	23,984	25,720	16,377	(9,343)
2,086	2,133	1,711	422	—	3,000	1,526	1,474
532	1,082	814	268	—	1,327	684	643
517	517	166	351	—	1,500	437	1,063
290	1,289	730	559	—	9,000	5,624	3,376
14,556	4,127	—	4,127	67,655	10,718	6,990	3,728
17,981	9,148	3,421	5,727	67,655	25,545	15,261	10,284
(6,731)	3,102	21,895	18,793	(43,671)	175	1,116	941
—	4	4	—	—	2,853	2,853	—
(30,000)	(30,000)	(30,000)	—	—	(4,204)	(4,204)	—
(30,000)	(29,996)	(29,996)	—	—	(1,351)	(1,351)	—
(36,731)	(26,894)	(8,101)	18,793	(43,671)	(1,176)	(235)	941
53,327	52,315	52,315	—	78,608	84,828	84,828	—
\$ 16,596	\$ 25,421	\$ 44,214	\$ 18,793	\$ 34,937	\$ 83,652	\$ 84,593	\$ 941

(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, 2016
(in thousands)

	Special Reserve – FEMA – Earthquake			Variance with Final Budget – Favorable (Unfavorable)
	Budget		Actual	
	Original	Final		
Revenues:				
Federal revenues	\$ —	\$ —	\$ —	\$ —
Other state revenues	—	—	—	—
Other local revenues	—	—	53	53
Total Revenues	—	—	53	53
Expenditures:				
Current:				
Classified salaries	—	500	59	441
Employee benefits	—	213	23	190
Books and supplies	—	150	—	150
Services and other operating expenditures	7,527	1,500	154	1,346
Capital outlay	—	4,761	1,366	3,395
Total Expenditures	7,527	7,124	1,602	5,522
Excess (Deficiency) of Revenues Over (Under) Expenditures	(7,527)	(7,124)	(1,549)	5,575
Other Financing Sources (Uses):				
Transfers in	—	—	—	—
Transfers out	—	—	—	—
Total Other Financing Sources (Uses)	—	—	—	—
Net Changes in Fund Balances	(7,527)	(7,124)	(1,549)	5,575
Fund Balances, July 1, 2015	7,533	7,181	7,181	—
Fund Balances, June 30, 2016	\$ 6	\$ 57	\$ 5,632	\$ 5,575

See accompanying independent auditors' report.

Special Reserve – FEMA – Hazard Mitigation				Total			
Budget		Actual	Variance with Final Budget – Favorable (Unfavorable)	Budget		Actual	Variance with Final Budget – Favorable (Unfavorable)
Original	Final			Original	Final		
\$ —	\$ —	\$ —	\$ —	\$ —	\$ 1,717	\$ 28	\$ (1,689)
—	—	—	—	43,227	42,709	44,161	1,452
—	—	16	16	104,561	106,098	122,551	16,453
—	—	16	16	147,788	150,524	166,740	16,216
—	—	—	—	2,561	16,137	5,397	10,740
—	—	—	—	652	7,311	2,463	4,848
—	—	—	—	551	3,945	654	3,291
—	—	—	—	63,471	62,458	16,148	46,310
—	—	—	—	498,528	97,133	79,410	17,723
—	—	—	—	565,763	186,984	104,072	82,912
—	—	16	16	(417,975)	(36,460)	62,668	99,128
—	—	—	—	—	5,181	5,181	—
—	—	—	—	(39,576)	(110,483)	(110,480)	3
—	—	—	—	(39,576)	(105,302)	(105,299)	3
—	—	16	16	(457,551)	(141,762)	(42,631)	99,131
2,057	2,058	2,058	—	733,668	807,186	807,186	—
\$ 2,057	\$ 2,058	\$ 2,074	\$ 16	\$ 276,117	\$ 665,424	\$ 764,555	\$ 99,131



LOS ANGELES UNIFIED SCHOOL DISTRICT

Internal Service Funds

The Health and Welfare Benefits Fund was established pursuant to Education Code 39602 to pay for claims, administrative costs, insurance premiums, and related expenditures for the District's Health and Welfare Benefits program. Medical and dental claims for the self-insured portion of the Fund are administered by outside claims administrators. Premium payments to health maintenance organizations for medical benefits and to outside carriers for vision services, dental services, and optional life insurance are also paid out of this Fund.

The Workers' Compensation Self-Insurance Fund was established pursuant to Education Code 39602 to pay for claims, excess insurance coverage, administrative costs, and related expenditures. Workers' compensation claims are administered for the District by an outside claims administrator.

The Liability Self-Insurance Fund was established pursuant to Education Code 39602 to pay claims, excess insurance coverage, administrative costs and related expenditures, and to provide funds for insurance deductible amounts. Liability claims are administered for the District by an outside claims administrator.

LOS ANGELES UNIFIED SCHOOL DISTRICT
Internal Service Funds
Combining Statement of Net Position
June 30, 2016
(in thousands)

	Health and Welfare Benefits	Workers' Compensation Self-Insurance	Liability Self-Insurance	Total
Assets:				
Cash in county treasury, in banks, and on hand	\$ 306,100	\$ 500,899	\$ 216,308	\$ 1,023,307
Accounts receivable – net	13,311	129	—	13,440
Accrued interest and dividends receivable	1,085	1,559	154	2,798
Prepays	45,671	—	1,163	46,834
Other assets	5,456	—	—	5,456
Total Assets	371,623	502,587	217,625	1,091,835
Deferred Outflows of Resources	823	1,047	433	2,303
Liabilities:				
Current:				
Vouchers and accounts payable	176	2,008	472	2,656
Accrued payroll	227	315	196	738
Other payables	35,972	—	85	36,057
Estimated liability for self-insurance claims	21,399	103,042	177,524	301,965
Total Current Liabilities	57,774	105,365	178,277	341,416
Noncurrent:				
Estimated liability for self-insurance claims	—	389,345	36,234	425,579
Net pension liability	2,618	3,433	1,442	7,493
Total Liabilities	60,392	498,143	215,953	774,488
Deferred Inflows of Resources	841	1,046	427	2,314
Total Net Position – Unrestricted	\$ 311,213	\$ 4,445	\$ 1,678	\$ 317,336

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, 2016
(in thousands)

	Health and Welfare Benefits	Workers' Compensation Self-Insurance	Liability Self-Insurance	Total
Operating Revenues:				
In-District premiums	\$ 1,017,482	\$ 124,913	\$ 174,139	\$ 1,316,534
Others	1,353	—	—	1,353
Total Operating Revenues	<u>1,018,835</u>	<u>124,913</u>	<u>174,139</u>	<u>1,317,887</u>
Operating Expenses:				
Certificated salaries	—	291	163	454
Classified salaries	2,077	2,426	984	5,487
Employee benefits	1,271	800	505	2,576
Supplies	217	110	30	357
Premiums and claims expenses	1,005,035	110,766	171,003	1,286,804
Claims administration	—	12,354	527	12,881
Other contracted services	1,221	539	414	2,174
Total Operating Expenses	<u>1,009,821</u>	<u>127,286</u>	<u>173,626</u>	<u>1,310,733</u>
Operating Income (Loss)	<u>9,014</u>	<u>(2,373)</u>	<u>513</u>	<u>7,154</u>
Nonoperating Revenues (Expenses):				
Investment income	2,771	3,925	566	7,262
Miscellaneous expense	—	(28)	—	(28)
Total Nonoperating Revenues	<u>2,771</u>	<u>3,897</u>	<u>566</u>	<u>7,234</u>
Income (Loss) before Transfers	<u>11,785</u>	<u>1,524</u>	<u>1,079</u>	<u>14,388</u>
Transfers in	4,290	—	—	4,290
Changes in Net Position	<u>16,075</u>	<u>1,524</u>	<u>1,079</u>	<u>18,678</u>
Total Net Position, July 1, 2015	<u>295,138</u>	<u>2,921</u>	<u>599</u>	<u>298,658</u>
Total Net Position, June 30, 2016	<u>\$ 311,213</u>	<u>\$ 4,445</u>	<u>\$ 1,678</u>	<u>\$ 317,336</u>

See accompanying independent auditor's report.

LOS ANGELES UNIFIED SCHOOL DISTRICT
Internal Service Funds
Combining Statement of Cash Flows
Year Ended June 30, 2016
(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	\$ (3,418)	\$ (4,125)	\$ (1,688)	\$ (9,231)
Cash payments for goods and services	(1,031,767)	(115,821)	(170,903)	(1,318,491)
Receipts from assessment to other funds	1,017,482	124,925	174,139	1,316,546
Other operating revenue	1,352	—	—	1,352
Net Cash Provided (Used) by Operating Activities	(16,351)	4,979	1,548	(9,824)
Cash Flows from Non-Capital Financing Activities:				
Transfer from other funds	4,290	—	—	4,290
Net Cash Provided by Non-Capital Financing Activities	4,290	—	—	4,290
Cash Flows from Investing Activities:				
Earnings on investments	2,787	3,663	948	7,398
Net Cash Provided by Investing Activities	2,787	3,663	948	7,398
Net Increase (Decrease) in Cash and Cash Equivalents	(9,274)	8,642	2,496	1,864
Cash and Cash Equivalents, July 1	315,374	492,257	213,812	1,021,443
Cash and Cash Equivalents, June 30	<u>\$ 306,100</u>	<u>\$ 500,899</u>	<u>\$ 216,308</u>	<u>\$ 1,023,307</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:				
Operating Income (Loss)	<u>\$ 9,014</u>	<u>\$ (2,373)</u>	<u>\$ 513</u>	<u>\$ 7,154</u>
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Net decrease in pension expense from actuarial valuation	147	(487)	(16)	(356)
Change in Assets: Decrease (Increase)				
Accounts receivable	(8,840)	12	—	(8,828)
Prepays	(959)	—	387	(572)
Other assets	429	—	—	429
Change in Liabilities: Increase (Decrease)				
Vouchers and accounts payable	(2,719)	(348)	249	(2,818)
Accrued payroll	(217)	(121)	(20)	(358)
Other payables	(11,299)	—	(10)	(11,309)
Estimated liability for self-insurance claims – current	(1,907)	15,728	(9,135)	4,686
Estimated liability for self-insurance claims – noncurrent	—	(7,432)	9,580	2,148
Total Adjustments	(25,365)	7,352	1,035	(16,978)
Net Cash Provided (Used) by Operating Activities	<u>\$ (16,351)</u>	<u>\$ 4,979</u>	<u>\$ 1,548</u>	<u>\$ (9,824)</u>

See accompanying independent auditor's report.



LOS ANGELES UNIFIED SCHOOL DISTRICT

Fiduciary Funds

Agency Funds

The Attendance Incentive Reserve Fund was established on November 21, 1994 to account for 50% of the salary savings from substitute teachers' accounts resulting from reduced costs of absenteeism of UTLA represented employees. The intent was to reward regular attendance of teachers in order to improve the instructional program. The accumulated savings in the account plus interest earnings is disbursed in a lump-sum distribution as participants retire or terminate employment with the District.

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

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

LOS ANGELES UNIFIED SCHOOL DISTRICT
Fiduciary Funds – Agency Funds
Combining Statement of Changes in Assets and Liabilities
Year Ended June 30, 2016
(in thousands)

	Balance July 1, 2015	Additions	Deductions	Balance June 30, 2016
<u>Payroll Agency Fund</u>				
Assets				
Cash in county treasury, in banks, and on hand	\$ 91,826	\$ 11,889,087	\$ 11,885,635	\$ 95,278
Accounts Receivable	—	1,497	536	961
Total Assets	<u>\$ 91,826</u>	<u>\$ 11,890,584</u>	<u>\$ 11,886,171</u>	<u>\$ 96,239</u>
Liabilities				
Other payables	\$ 91,826	\$ 12,397,265	\$ 12,392,852	\$ 96,239
Total Liabilities	<u>\$ 91,826</u>	<u>\$ 12,397,265</u>	<u>\$ 12,392,852</u>	<u>\$ 96,239</u>
<u>Attendance Incentive Reserve Fund</u>				
Assets				
Cash in county treasury, in banks, and on hand	\$ 16,663	\$ 635	\$ 600	\$ 16,698
Accounts Receivable	—	1	—	1
Accrued interest receivable	54	184	186	52
Total Assets	<u>\$ 16,717</u>	<u>\$ 820</u>	<u>\$ 786</u>	<u>\$ 16,751</u>
Liabilities				
Other payables	\$ 16,717	\$ 185	\$ 151	\$ 16,751
Total Liabilities	<u>\$ 16,717</u>	<u>\$ 185</u>	<u>\$ 151</u>	<u>\$ 16,751</u>
<u>Student Body Fund</u>				
Assets				
Cash in county treasury, in banks, and on hand	\$ 20,360	\$ 53,367	\$ 51,792	\$ 21,935
Total Assets	<u>\$ 20,360</u>	<u>\$ 53,367</u>	<u>\$ 51,792</u>	<u>\$ 21,935</u>
Liabilities				
Other payables	\$ 20,360	\$ 53,367	\$ 51,792	\$ 21,935
Total Liabilities	<u>\$ 20,360</u>	<u>\$ 53,367</u>	<u>\$ 51,792</u>	<u>\$ 21,935</u>
<u>Total Agency Funds</u>				
Assets				
Cash in county treasury, in banks, and on hand	\$ 128,849	\$ 11,943,089	\$ 11,938,027	\$ 133,911
Accounts receivable – net	—	1,498	536	962
Accrued interest receivable	54	184	186	52
Total Assets	<u>\$ 128,903</u>	<u>\$ 11,944,771</u>	<u>\$ 11,938,749</u>	<u>\$ 134,925</u>
Liabilities				
Other payables	\$ 128,903	\$ 12,450,817	\$ 12,444,795	\$ 134,925
Total Liabilities	<u>\$ 128,903</u>	<u>\$ 12,450,817</u>	<u>\$ 12,444,795</u>	<u>\$ 134,925</u>

See accompanying independent auditor's report.



**CAPITAL ASSETS USED IN THE OPERATION
OF GOVERNMENTAL FUNDS**

LOS ANGELES UNIFIED SCHOOL DISTRICT
Capital Assets Used in the Operation of Governmental Funds
Comparative Schedule by Source
June 30, 2016 and 2015
(in thousands)

	<u>2015-2016</u>	<u>2014-2015</u>
Governmental Funds Capital Assets:		
Sites	\$ 3,095,481	\$ 3,095,039
Improvement of sites	605,232	590,264
Building and improvements	15,347,779	15,111,900
Equipment	1,949,320	1,863,980
Construction in progress	586,058	560,203
Total Governmental Funds Capital Assets	<u>\$ 21,583,870</u>	<u>\$ 21,221,386</u>
Investments in Governmental Funds Capital Assets by Source:		
From revenues of:		
General Fund	\$ 1,407,019	\$ 1,387,453
Special Revenue Funds:		
Adult Education Fund	52,052	52,753
Cafeteria Fund	47,353	46,122
Child Development Fund	17,704	17,704
Deferred Maintenance Fund	18,485	18,507
Capital Projects Funds:		
Building Fund	36,155	36,457
Building Fund – Bond Proceeds	1,731,757	1,731,989
Building Fund – Measure K	3,182,496	3,179,998
Building Fund – Measure R	3,461,520	3,383,277
Building Fund – Measure Y	2,668,941	2,565,557
Building Fund – Measure Q	81,512	—
State School Building Lease – Purchase Fund	1,026,552	1,026,620
Special Reserve Fund	1,432,072	1,430,196
Special Reserve Fund – FEMA – Earthquake	14,443	13,077
Special Reserve Fund – FEMA – Hazard Mitigation	3,517	3,517
Special Reserve Fund – CRA	9,600	9,605
Capital Facilities Fund	563,003	526,776
County School Facilities Bonds Fund	831,449	831,449
County School Facilities Bonds Fund – Prop 47	971,257	933,317
County School Facilities Bonds Fund – Prop 55	1,952,118	1,952,118
County School Facilities Bonds Fund – Prop 1D	334,491	334,520
Contributions from outside source – MTA	6,018	6,018
Investment in general capital assets prior to July 1, 1983*	1,734,356	1,734,356
Total Governmental Funds Capital Assets	<u>\$ 21,583,870</u>	<u>\$ 21,221,386</u>

* Source information not available for capital assets acquired prior to July 1, 1983.

LOS ANGELES UNIFIED SCHOOL DISTRICT
Capital Assets Used in the Operation of Governmental Funds
Schedule of Changes in Capital Assets by Source
Year Ended June 30, 2016
(in thousands)

	<u>Sites</u>	<u>Improvement of Sites</u>
Balances, July 1, 2015	\$ 3,095,039	\$ 590,264
Additions:		
Capital outlay from:		
General Fund	—	—
Adult Education Fund	—	—
Cafeteria Fund	—	—
Deferred Maintenance Fund	—	—
Building Fund	—	—
Building Fund – Bond Proceeds	—	—
Building Fund – Measure K	—	—
Building Fund – Measure R	—	—
Building Fund – Measure Y	—	—
Building Fund – Measure Q	—	—
State School Building Lease – Purchase Fund	—	—
Special Reserve Fund	—	—
Special Reserve Fund-FEMA-Earthquake	—	—
Special Reserve Fund – CRA	—	—
Capital Facilities Fund	—	—
County School Facilities Bonds Fund – Prop 47	—	—
County School Facilities Bonds Fund – Prop 1D	—	—
Completed Projects	1,381	17,698
Subtotals	<u>1,381</u>	<u>17,698</u>
Deductions:		
Vehicle disposal	—	—
Return to salvage	—	—
Others	939	2,730
Total Deductions	<u>939</u>	<u>2,730</u>
Net Increase	<u>442</u>	<u>14,968</u>
Balances, June 30, 2016	<u>\$ 3,095,481</u>	<u>\$ 605,232</u>

See accompanying independent auditor's report.

Building and Improvements	Equipment	Construction in Progress	Total
<u>\$ 15,111,900</u>	<u>\$ 1,863,980</u>	<u>\$ 560,203</u>	<u>\$ 21,221,386</u>
51	11,281	29,445	40,777
—	199	1	200
—	1,231	—	1,231
—	—	(22)	(22)
—	—	(302)	(302)
—	—	341	341
—	—	14,673	14,673
—	—	79,395	79,395
—	—	107,006	107,006
—	—	81,512	81,512
—	—	(68)	(68)
—	4,711	(861)	3,850
—	—	1,366	1,366
—	—	(5)	(5)
—	—	36,228	36,228
—	—	37,940	37,940
—	—	(29)	(29)
<u>250,201</u>	<u>89,893</u>	<u>(359,173)</u>	<u>—</u>
<u>250,252</u>	<u>107,315</u>	<u>27,447</u>	<u>404,093</u>
—	419	—	419
—	20,590	—	20,590
<u>14,373</u>	<u>966</u>	<u>1,592</u>	<u>20,600</u>
<u>14,373</u>	<u>21,975</u>	<u>1,592</u>	<u>41,609</u>
<u>235,879</u>	<u>85,340</u>	<u>25,855</u>	<u>362,484</u>
<u>\$ 15,347,779</u>	<u>\$ 1,949,320</u>	<u>\$ 586,058</u>	<u>\$ 21,583,870</u>

LOS ANGELES UNIFIED SCHOOL DISTRICT
Long-Term Obligations
Schedule of Changes in Long-Term Obligations
Year Ended June 30, 2016
(in thousands)

	General Obligation Bonds	Certificates of Participation	Capital Leases	Children Centers Facilities Revolving Loan	Liability for Compensated Absences
Balances, July 1, 2015	\$ 10,707,885	\$ 307,921	\$ 1,931	\$ 476	\$ 65,317
Additions:					
Debt issuance	1,226,355	—	196	—	—
Premium on debt issue	183,189	—	—	—	—
Discount amortization	859	31	—	—	—
Vacation earned	—	—	—	—	75,694
Retirement bonus	—	—	—	—	—
Self-insurance claims	—	—	—	—	—
Pension expense	—	—	—	—	—
Annual required contribution	—	—	—	—	—
Total Additions	1,410,403	31	196	—	75,694
Deductions:					
Principal repayments	1,065,405	29,811	760	80	—
Premium amortization	88,876	2,386	—	—	—
Vacation used	—	—	—	—	70,456
Retirement bonus paid	—	—	—	—	—
Self-insurance claims paid	—	—	—	—	—
Investment earnings	—	—	—	—	—
OPEB contributions	—	—	—	—	—
Total Deductions	1,154,281	32,197	760	80	70,456
Balances, June 30, 2016	\$ 10,964,007	\$ 275,755	\$ 1,367	\$ 396	\$ 70,555

See accompanying independent auditor's report.

Liability for Other Employee Benefits	Self-Insurance Claims	Net Pension Liability	Other Postemployment Benefits (OPEB)	Total
<u>\$ 61,081</u>	<u>\$ 720,710</u>	<u>\$ 4,485,612</u>	<u>\$ 5,971,018</u>	<u>\$ 22,321,951</u>
—	—	—	—	1,226,551
—	—	—	—	183,189
—	—	—	—	890
—	—	—	—	75,694
82	—	—	—	82
—	532,755	—	—	532,755
—	—	1,991,164	—	1,991,164
—	—	—	1,090,749	1,090,749
<u>82</u>	<u>532,755</u>	<u>1,991,164</u>	<u>1,090,749</u>	<u>5,101,074</u>
—	—	—	—	1,096,056
—	—	—	—	91,262
—	—	—	—	70,456
5,648	—	—	—	5,648
—	525,921	—	—	525,921
—	—	567,770	—	567,770
—	—	562,579	338,704	901,283
<u>5,648</u>	<u>525,921</u>	<u>1,130,349</u>	<u>338,704</u>	<u>3,258,396</u>
<u>\$ 55,515</u>	<u>\$ 727,544</u>	<u>\$ 5,346,427</u>	<u>\$ 6,723,063</u>	<u>\$ 24,164,629</u>

LOS ANGELES UNIFIED SCHOOL DISTRICT
Long-Term Obligations
Schedule of Certificates of Participation
Year Ended June 30, 2016
(in thousands)

<u>Date of Issue</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Balance Original Issue</u>	<u>Outstanding* July 1, 2015</u>	<u>Issued* This Year</u>	<u>Redeemed** Current Year</u>	<u>Amortization of Premium/ Discount</u>	<u>Outstanding* June 30, 2016</u>
2005 Certificates of Participation (2004-05 Qualified Zone Academy Bonds Project):								
12/13/05	0.000%	12/13/20	\$ 10,000	\$ 10,000	\$ —	\$ —	\$ —	\$ 10,000
2005 Certificates of Participation			<u>\$ 10,000</u>	<u>\$ 10,000</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 10,000</u>
2007A Certificates of Participation (Information Technology Projects):								
11/15/07	5.000	10/01/15	\$ 11,015	\$ 7,473	\$ —	\$ 7,451	\$ 22	\$ —
11/15/07	5.000	10/01/16	11,570	7,933	—	—	86	7,847
11/15/07	5.000	10/01/17	12,145	8,395	—	—	78	8,317
2007A Certificates of Participation			<u>\$ 34,730</u>	<u>\$ 23,801</u>	<u>\$ —</u>	<u>\$ 7,451</u>	<u>\$ 186</u>	<u>\$ 16,164</u>
2010A Refunding Certificates of Participation (Multiple Properties Project):								
01/27/10	3.250	12/01/15	\$ 300	\$ 300	\$ —	\$ 300	\$ —	\$ —
01/27/10	5.000	12/01/15	7,845	7,905	—	7,845	60	—
01/27/10	4.000	12/01/16	1,125	1,130	—	—	4	1,126
01/27/10	5.000	12/01/16	7,430	7,567	—	—	96	7,471
01/27/10	4.000	12/01/17	1,215	1,215	—	—	—	1,215
01/27/10	5.000	12/01/17	15,265	15,613	—	—	140	15,473
2010A Refunding Certificates of Participation			<u>\$ 33,180</u>	<u>\$ 33,730</u>	<u>\$ —</u>	<u>\$ 8,145</u>	<u>\$ 300</u>	<u>\$ 25,285</u>

* Includes Premium and Discount

** Principal Payment

(Continued)

LOS ANGELES UNIFIED SCHOOL DISTRICT
Long-Term Obligations
Schedule of Certificates of Participation (Continued)
Year Ended June 30, 2016
(in thousands)

Date of Issue	Interest Rate	Maturity Date	Balance Original Issue	Outstanding* July 1, 2015	Issued* This Year	Redeemed** Current Year	Amortization of Premium/ Discount	Outstanding* June 30, 2016
2010B-1 Certificates of Participation (Capital Projects I):								
12/21/10	7.663%	12/01/21	\$ 965	\$ 965	\$ —	\$ —	\$ —	\$ 965
12/21/10	7.663	12/01/22	1,030	1,030	—	—	—	1,030
12/21/10	8.163	12/01/23	1,080	1,080	—	—	—	1,080
12/21/10	8.163	12/01/24	1,140	1,140	—	—	—	1,140
12/21/10	8.163	12/01/25	1,200	1,200	—	—	—	1,200
12/21/10	8.000	12/01/26	540	516	—	—	(1)	517
12/21/10	8.250	12/01/26	610	596	—	—	(1)	597
12/21/10	8.525	12/01/26	115	115	—	—	—	115
12/21/10	8.000	12/01/27	570	544	—	—	(1)	545
12/21/10	8.250	12/01/27	640	625	—	—	(1)	626
12/21/10	8.525	12/01/27	125	125	—	—	—	125
12/21/10	8.000	12/01/28	605	577	—	—	(1)	578
12/21/10	8.250	12/01/28	670	653	—	—	(1)	654
12/21/10	8.525	12/01/28	130	130	—	—	—	130
12/21/10	8.000	12/01/29	640	609	—	—	(1)	610
12/21/10	8.250	12/01/29	705	687	—	—	(1)	688
12/21/10	8.525	12/01/29	135	135	—	—	—	135
12/21/10	8.000	12/01/30	675	642	—	—	(1)	643
12/21/10	8.250	12/01/30	740	721	—	—	(1)	722
12/21/10	8.525	12/01/30	145	145	—	—	—	145
12/21/10	8.000	12/01/31	710	675	—	—	(1)	676
12/21/10	8.250	12/01/31	785	765	—	—	(1)	766
12/21/10	8.525	12/01/31	150	150	—	—	—	150
12/21/10	8.000	12/01/32	750	713	—	—	(1)	714
12/21/10	8.250	12/01/32	825	804	—	—	(1)	805
12/21/10	8.525	12/01/32	160	160	—	—	—	160
12/21/10	8.000	12/01/33	790	751	—	—	(1)	752
12/21/10	8.250	12/01/33	865	842	—	—	(1)	843
12/21/10	8.525	12/01/33	170	170	—	—	—	170
12/21/10	8.000	12/01/34	835	793	—	—	(1)	794
12/21/10	8.250	12/01/34	910	886	—	—	(1)	887
12/21/10	8.525	12/01/34	180	180	—	—	—	180
12/21/10	8.000	12/01/35	885	840	—	—	(1)	841
12/21/10	8.250	12/01/35	950	925	—	—	—	925
12/21/10	8.525	12/01/35	190	190	—	—	—	190
2010B-1 Certificates of Participation			\$ 21,615	\$ 21,079	\$ —	\$ —	\$ (19)	\$ 21,098
2010B-2 Certificates of Participation (Capital Projects I):								
12/21/10	5.000	12/01/15	\$ 6,280	\$ 6,321	\$ —	\$ 6,280	\$ 41	\$ —
12/21/10	5.000	12/01/16	6,075	6,179	—	—	73	6,106
12/21/10	4.000	12/01/17	2,585	2,574	—	—	(4)	2,578
12/21/10	5.000	12/01/17	3,800	3,870	—	—	28	3,842
12/21/10	5.500	12/01/18	6,675	6,878	—	—	56	6,822
12/21/10	5.500	12/01/19	7,040	7,225	—	—	39	7,186
12/21/10	5.000	12/01/20	3,830	3,812	—	—	(3)	3,815
12/21/10	5.750	12/01/20	3,600	3,709	—	—	18	3,691
2010B-2 Certificates of Participation			\$ 39,885	\$ 40,568	\$ —	\$ 6,280	\$ 248	\$ 34,040

* Includes Premium and Discount

** Principal Payment

(Continued)

LOS ANGELES UNIFIED SCHOOL DISTRICT
Long-Term Obligations
Schedule of Certificates of Participation (Continued)
Year Ended June 30, 2016
(in thousands)

Date of Issue	Interest Rate	Maturity Date	Balance Original Issue	Outstanding* July 1, 2015	Issued* This Year	Redeemed** Current Year	Amortization of Premium/ Discount	Outstanding* June 30, 2016
2012A Refunding Certificates of Participation (Headquarters Building Projects):								
06/12/12	4.000	10/01/15	\$ 6,270	\$ 6,312	\$ —	\$ 6,270	\$ 42	\$ —
06/12/12	5.000	10/01/16	6,460	6,731	—	—	216	6,515
06/12/12	5.000	10/01/17	6,705	7,154	—	—	197	6,957
06/12/12	5.000	10/01/18	6,965	7,564	—	—	180	7,384
06/12/12	5.000	10/01/19	7,240	7,965	—	—	164	7,801
06/12/12	5.000	10/01/20	7,525	8,332	—	—	145	8,187
06/12/12	5.000	10/01/21	7,820	8,700	—	—	130	8,570
06/12/12	5.000	10/01/22	8,130	9,070	—	—	117	8,953
06/12/12	5.000	10/01/23	7,795	8,615	—	—	87	8,528
06/12/12	4.250	10/01/24	1,255	1,306	—	—	5	1,301
06/12/12	4.250	10/01/25	1,095	1,128	—	—	3	1,125
06/12/12	3.750	10/01/26	1,125	1,103	—	—	(2)	1,105
06/12/12	4.000	10/01/27	1,160	1,153	—	—	—	1,153
06/12/12	4.000	10/01/28	1,190	1,176	—	—	(1)	1,177
06/12/12	4.125	10/01/29	1,230	1,220	—	—	(1)	1,221
06/12/12	4.125	10/01/30	1,270	1,255	—	—	(1)	1,256
06/12/12	4.250	10/01/31	1,305	1,294	—	—	—	1,294
2012A Refunding Certificates of Participation			<u>\$ 74,540</u>	<u>\$ 80,078</u>	<u>\$ —</u>	<u>\$ 6,270</u>	<u>\$ 1,281</u>	<u>\$ 72,527</u>
2012B Refunding Certificates of Participation (Headquarters Building Projects):								
06/12/12	3.000	10/01/15	\$ 315	\$ 316	\$ —	\$ 315	\$ 1	\$ —
06/12/12	3.000	10/01/16	325	331	—	—	4	327
06/12/12	4.000	10/01/17	335	350	—	—	7	343
06/12/12	2.125	10/01/18	345	344	—	—	—	344
06/12/12	2.375	10/01/19	355	353	—	—	—	353
06/12/12	2.625	10/01/20	360	357	—	—	—	357
06/12/12	3.000	10/01/21	375	374	—	—	—	374
06/12/12	3.125	10/01/22	385	383	—	—	—	383
06/12/12	3.250	10/01/23	400	395	—	—	—	395
06/12/12	5.000	10/01/24	6,750	7,419	—	—	62	7,357
06/12/12	5.000	10/01/25	7,525	8,223	—	—	57	8,166
06/12/12	5.000	10/01/26	7,905	8,590	—	—	49	8,541
06/12/12	5.000	10/01/27	8,300	8,976	—	—	43	8,933
06/12/12	5.000	10/01/28	8,715	9,382	—	—	39	9,343
06/12/12	5.000	10/01/29	9,155	9,824	—	—	35	9,789
06/12/12	5.000	10/01/30	9,605	10,285	—	—	32	10,253
06/12/12	5.000	10/01/31	10,090	10,773	—	—	30	10,743
2012B Refunding Certificates of Participation			<u>\$ 71,240</u>	<u>\$ 76,675</u>	<u>\$ —</u>	<u>\$ 315</u>	<u>\$ 359</u>	<u>\$ 76,001</u>

* Includes Premium and Discount

** Principal Payment

(Continued)

LOS ANGELES UNIFIED SCHOOL DISTRICT
Long-Term Obligations
Schedule of Certificates of Participation (Continued)
Year Ended June 30, 2016
(in thousands)

Date of Issue	Interest Rate	Maturity Date	Balance Original Issue	Outstanding* July 1, 2015	Issued* This Year	Redeemed** Current Year	Amortization of Premium/ Discount	Outstanding* June 30, 2016
2013A Refunding Certificates of Participation (Refunding Lease):								
06/24/13	2.290	08/01/15	\$ 1,350	\$ 1,350	\$ —	\$ 1,350	\$ —	\$ —
06/24/13	2.290	08/01/16	1,380	1,380	—	—	—	1,380
06/24/13	2.290	08/01/17	1,415	1,415	—	—	—	1,415
06/24/13	2.290	08/01/18	1,445	1,445	—	—	—	1,445
06/24/13	2.290	08/01/19	1,480	1,480	—	—	—	1,480
06/24/13	2.290	08/01/20	1,515	1,515	—	—	—	1,515
06/24/13	2.290	08/01/21	1,545	1,545	—	—	—	1,545
06/24/13	2.290	08/01/22	1,580	1,580	—	—	—	1,580
06/24/13	2.290	08/01/23	1,620	1,620	—	—	—	1,620
06/24/13	2.290	08/01/24	1,655	1,655	—	—	—	1,655
06/24/13	2.290	08/01/25	1,690	1,690	—	—	—	1,690
06/24/13	2.290	08/01/26	1,730	1,730	—	—	—	1,730
06/24/13	2.290	08/01/27	1,775	1,775	—	—	—	1,775
06/24/13	2.290	08/01/28	1,810	1,810	—	—	—	1,810
2013A Refunding Certificates of Participation			\$ 21,990	\$ 21,990	\$ —	\$ 1,350	\$ —	\$ 20,640
Grand Total			\$ 307,180	\$ 307,921	\$ —	\$ 29,811	\$ 2,355	\$ 275,755

* Includes Premium and Discount

** Principal Payment

See accompanying independent auditors' report.



STATISTICAL SECTION

The Statistical Section of the District's Comprehensive Annual Financial Report presents detailed information as a context for understanding what the information in the financial statements, note disclosures and required supplementary information says about the District's overall financial health.

Contents

Financial trends

These schedules contain information to help the reader understand how the District's financial performance and well-being have changed over time.

Revenue capacity

These schedules contain information to help the reader assess the District's most significant local revenue sources.

Debt capacity

These schedules contain information to help the reader assess the affordability of the District's current levels of outstanding debt and the District's ability to issue additional debt in the future.

Demographic and economic information

These schedules offer demographic and economic indicators to help the reader understand the environment within which the District's financial activities take place.

Operating information

These schedules contain service and infrastructure data to help the reader understand how the information in the District's financial report relates to the services the District provides and activities it performs.

Source: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year. The District implemented GASB Statement No. 34 in 2002; schedules presenting government-wide information include information beginning in that year.



LOS ANGELES UNIFIED SCHOOL DISTRICT
Statement of Net Position
Last Ten Fiscal Years
(in thousands)
(Unaudited)

	<u>2006-2007</u>	<u>2007-2008</u>	<u>2008-2009</u>
Assets:			
Cash and cash equivalents	\$ 3,487,080	\$ 4,112,750	\$ 3,559,297
Investments	923,425	825,398	592,741
Property taxes receivable	46,689	67,899	80,453
Accounts receivable, net	786,845	854,789	1,097,781
Accrued interest receivable	70,901	44,461	21,031
Prepays	15,597	16,101	13,354
Unamortized issuance costs	32,730	37,349	40,479
Inventories	15,823	18,920	14,861
Accounts receivable, non current	—	—	—
Other assets	—	—	—
Capital assets:			
Sites	2,373,208	2,700,727	2,969,404
Improvement of sites	430,979	468,039	507,963
Buildings and improvements	5,803,185	6,722,084	8,243,000
Equipment	1,145,089	1,143,953	1,156,042
Construction in progress	2,180,218	2,547,219	2,815,518
Less accumulated depreciation	(2,847,681)	(3,064,058)	(3,361,521)
Total Capital Assets, Net of Depreciation	<u>9,084,998</u>	<u>10,517,964</u>	<u>12,330,406</u>
Total Assets	<u>14,464,088</u>	<u>16,495,631</u>	<u>17,750,403</u>
Deferred Outflows of Resources	<u>—</u>	<u>—</u>	<u>—</u>
Liabilities:			
Vouchers and accounts payable	374,553	534,898	489,547
Contracts payable	155,901	129,704	121,150
Accrued payroll	586,384	397,407	243,458
Accrued interest	—	—	171,868
Other payables	6,099	126,880	117,802
Unearned revenue	60,986	103,611	212,159
Tax and revenue anticipation notes and related interest payable	360,998	615,599	514,343
Long-term liabilities:			
Portion due within one year	373,698	529,970	478,203
Portion due after one year	7,341,060	9,075,723	10,670,116
Net Pension Liability	<u>—</u>	<u>—</u>	<u>—</u>
Total Liabilities	<u>9,259,679</u>	<u>11,513,792</u>	<u>13,018,646</u>
Deferred Inflows of Resources	<u>—</u>	<u>—</u>	<u>—</u>
Net Position:			
Net investment in capital assets	3,267,458	3,694,054	4,584,300
Restricted	1,540,422	1,893,302	1,639,962
Unrestricted	<u>396,529</u>	<u>(605,517)</u>	<u>(1,492,505)</u>
Total Governmental Activities			
Total Net Position	<u>\$ 5,204,409</u>	<u>\$ 4,981,839</u>	<u>\$ 4,731,757</u>

See accompanying independent auditor's report.

2009-2010	2010-2011	2011-2012	2012-2013	2013-2014 (As Restated)	2014-2015	2015-2016
\$ 6,231,489	\$ 5,905,632	\$ 4,453,774	\$ 4,565,223	\$ 4,130,489	\$ 4,441,746	\$ 5,244,042
785,256	22,835	561,917	659,445	—	—	—
86,802	92,125	106,219	60,052	66,912	76,198	69,579
928,327	1,212,902	1,584,436	908,380	914,608	395,248	335,631
24,247	20,300	8,236	6,290	13,904	11,912	12,661
12,866	12,478	12,091	42,668	46,188	46,262	56,468
66,845	12,459	61,306	—	—	—	—
13,163	63,653	21,583	25,958	23,635	23,670	25,766
—	—	—	32,046	28,487	24,928	21,367
—	—	—	—	5,453	5,885	5,456
3,069,920	3,136,630	3,144,097	3,180,152	3,084,939	3,095,039	3,095,481
523,083	528,607	550,288	559,575	563,691	590,264	605,232
8,992,789	10,069,170	12,635,362	14,091,455	14,698,220	15,111,900	15,347,779
1,169,506	1,228,062	1,583,212	1,622,452	1,835,225	1,863,980	1,949,320
3,579,899	3,571,703	1,567,489	575,310	689,833	560,203	586,058
(3,599,858)	(3,906,924)	(4,882,822)	(5,360,254)	(6,069,205)	(6,463,341)	(7,042,981)
13,735,339	14,627,248	14,597,626	14,668,690	14,802,703	14,758,045	14,540,889
21,884,334	21,969,632	21,407,188	20,968,752	20,032,379	19,783,894	20,311,859
—	—	—	106,970	174,224	529,263	1,296,094
439,134	488,599	393,208	124,980	240,251	241,625	200,320
92,473	30,249	64,787	42,320	42,160	33,215	30,261
207,437	205,323	191,418	199,014	272,221	231,916	223,924
254,828	297,901	289,821	282,375	232,921	254,934	250,659
74,677	155,502	99,991	177,644	104,668	153,796	139,476
65,418	123,393	15,717	12,796	8,505	14,789	14,246
764,355	—	561,782	793,694	—	—	—
485,669	526,853	509,065	644,448	689,909	805,807	815,752
15,266,398	15,668,785	16,121,160	16,614,526	22,211,772	17,030,532	18,002,450
—	—	—	—	—	4,485,612	5,346,427
17,650,389	17,496,605	18,246,949	18,891,797	23,802,407	23,252,226	25,023,515
—	—	—	—	—	1,229,928	1,169,948
4,910,954	5,450,860	5,059,121	4,863,878	4,724,631	4,582,066	4,815,146
1,282,553	1,495,022	1,312,920	1,355,252	1,538,688	1,479,837	1,123,542
(1,959,562)	(2,472,855)	(3,211,802)	(4,035,205)	(9,859,123)	(10,230,900)	(10,524,198)
\$ 4,233,945	\$ 4,473,027	\$ 3,160,239	\$ 2,183,925	\$ (3,595,804)	\$ (4,168,997)	\$ (4,585,510)

LOS ANGELES UNIFIED SCHOOL DISTRICT
Changes in Net Position
Last Ten Fiscal Years
(in thousands)
(Unaudited)

	2006-2007	2007-2008	2008-2009
Expenses:			
Governmental activities:			
Instruction	\$ 4,142,927	\$ 4,416,790	\$ 4,291,864
Support services – students	310,786	366,514	359,087
Support services – instructional staff	589,566	731,016	623,621
Support services – general administration	56,323	51,873	60,395
Support services – school administration	477,168	502,506	518,838
Support services – business	123,791	136,540	134,008
Operation and maintenance of plant services	638,201	727,090	758,813
Student transportation services	168,121	173,167	168,837
Data processing services	114,630	108,451	98,013
Operation of noninstructional services	288,736	324,348	370,016
Facilities acquisition and construction services	92,799	89,029	119,137
Other uses	418	882	240
Interest expense	278,053	350,420	551,163
Interagency disbursements	39,371	—	—
Depreciation – unallocated	180,328	217,052	302,298
Unfunded OPEB expense – unallocated *	—	832,665	821,261
Total Governmental Activities	7,501,218	9,028,343	9,177,591
Program Revenues:			
Charges for services			
Instruction	3,357	5,482	6,497
Support services – instructional staff	184	251	183
Support services – business	10,592	8,337	8,694
Operation and maintenance of plant services	4,496	5,206	6,999
Operation of noninstructional services	18,886	16,979	15,777
Facilities acquisition and construction services	95,222	65,426	24,259
Total Charges for Services	132,737	101,681	62,409
Operating grants and contributions:			
Instruction	1,707,841	1,662,599	1,538,356
Support services – students	205,621	223,250	243,391
Support services – instructional staff	472,633	532,258	641,554
Support services – general administration	1	87	133
Support services – school administration	145,581	139,550	131,204
Support services – business	85,947	72,513	121,542
Operation and maintenance of plant services	150,877	151,932	162,386
Student transportation services	163,325	170,100	156,509
Data processing services	10,135	7,326	10,986
Operation of noninstructional services	236,113	249,817	269,543
Facilities acquisition and construction services	893	14,609	1,287
Interest expense	—	559	1,591
Total Operating Grants and Contributions	3,178,967	3,224,600	3,278,482
Capital grants and contributions:			
Operation and maintenance of plant services	137,763	11,216	48,382
Facilities acquisition and construction services	298,645	653,191	876,570
Interest expense	—	—	—
Total Capital Grants and Contributions	436,408	664,407	924,952
Total Program Revenues	3,748,112	3,990,688	4,265,843
Net Expenses	(3,753,106)	(5,037,655)	(4,911,748)
General Revenues:			
Taxes:			
Property taxes, levied for general purposes	811,282	806,413	927,441
Property taxes, levied for debt service	444,951	539,735	598,980
Property taxes, levied for community redevelopment	4,479	5,775	1,295
State aid not restricted to specific purpose	2,901,720	2,817,720	2,517,499
Grants, entitlements and contributions not restricted to specific programs	531,067	505,638	453,643
Unrestricted investment earnings	149,311	156,817	74,859
Miscellaneous	12,456	85,547	87,949
Total General Revenues	4,855,266	4,917,645	4,661,666
Change in Net Position	\$ 1,102,160	\$ (120,010)	\$ (250,082)

*Allocated to various functions beginning with 2014-15.

See accompanying independent auditor's report.

2009-2010	2010-2011	2011-2012	2012-2013	2013-2014 (As Restated)	2014-2015	2015-2016
\$ 3,900,813	\$ 3,986,263	\$ 3,773,915	\$ 3,604,189	\$ 6,855,879	\$ 4,367,963	\$ 4,549,775
317,859	320,787	316,132	306,293	540,235	372,282	436,984
428,734	432,202	403,779	363,839	721,115	547,670	535,303
43,561	43,448	43,047	80,969	62,256	44,538	185,937
466,481	426,288	395,728	382,251	726,872	429,029	497,149
204,002	145,401	173,489	298,548	299,807	253,917	269,496
660,647	581,731	568,113	535,754	1,067,285	620,396	696,363
155,813	151,286	158,177	152,485	286,072	177,753	183,474
68,949	54,205	83,517	66,306	118,748	22,600	34,351
403,956	404,211	430,061	451,192	807,674	516,029	529,349
115,474	175,584	111,858	214,972	138,533	220,919	189,032
615	181	1,203	1,240	6,327	6,502	5,749
495,266	623,044	578,279	571,076	536,864	442,977	477,924
—	—	—	—	—	—	—
245,712	315,745	406,910	442,802	494,457	522,238	567,830
739,885	781,931	819,296	792,805	563,992	—	—
<u>8,247,767</u>	<u>8,442,307</u>	<u>8,263,504</u>	<u>8,264,721</u>	<u>13,226,116</u>	<u>8,544,813</u>	<u>9,158,716</u>
6,440	20,741	19,819	17,063	24,933	25,484	32,497
211	156	117	91	96	92	74
18,002	7,814	9,198	10,110	7,602	7,599	6,546
13,496	16,378	21,657	23,036	22,617	29,075	29,237
12,229	9,727	7,511	6,730	6,067	7,406	7,883
18,747	33,810	41,206	47,233	59,057	77,808	75,498
<u>69,125</u>	<u>88,626</u>	<u>99,508</u>	<u>104,263</u>	<u>120,372</u>	<u>147,464</u>	<u>151,735</u>
1,705,758	1,815,305	1,339,908	1,148,684	813,619	976,732	946,289
240,346	234,844	264,016	261,735	116,343	148,045	156,442
348,196	353,459	344,793	324,794	263,904	215,431	533,249
852	9,141	3,893	1,888	309	234	297
143,125	132,805	120,610	62,682	31,688	36,593	53,812
70,894	46,629	94,492	49,105	47,016	70,148	54,027
168,318	135,826	113,407	35,484	20,395	10,514	22,741
154,069	157,528	264,619	265,013	1,250	30,704	63
3,369	8,753	4,886	—	—	9	109
342,381	369,578	337,493	382,678	406,871	406,971	427,292
375	5,692	127,188	36,166	59,275	62,456	53,764
—	—	895	800	786	795	838
<u>3,177,683</u>	<u>3,269,560</u>	<u>3,016,200</u>	<u>2,569,029</u>	<u>1,761,456</u>	<u>1,958,632</u>	<u>2,248,923</u>
4,293	2,354	187	42	6	2	—
295,879	777,990	94,996	166,155	129,700	20,556	47,600
—	—	—	—	—	62,245	68,737
<u>300,172</u>	<u>780,344</u>	<u>95,183</u>	<u>166,197</u>	<u>129,706</u>	<u>82,803</u>	<u>116,337</u>
<u>3,546,980</u>	<u>4,138,530</u>	<u>3,210,891</u>	<u>2,839,489</u>	<u>2,011,534</u>	<u>2,188,899</u>	<u>2,516,995</u>
<u>(4,700,787)</u>	<u>(4,303,777)</u>	<u>(5,052,613)</u>	<u>(5,425,232)</u>	<u>(11,214,582)</u>	<u>(6,355,914)</u>	<u>(6,641,721)</u>
938,189	909,484	901,213	1,139,313	1,017,071	1,100,523	1,303,559
740,719	935,428	850,359	965,955	839,521	808,603	759,471
6,054	5,320	9,789	13,841	19,306	23,230	24,866
2,039,028	2,146,870	2,066,980	1,774,431	3,391,144	3,699,731	3,986,597
393,192	402,110	434,512	553,115	131,827	134,317	135,969
58,323	66,795	21,175	20,727	16,605	8,501	11,634
27,470	76,852	41,342	(18,464)	19,379	7,816	3,112
<u>4,202,975</u>	<u>4,542,859</u>	<u>4,325,370</u>	<u>4,448,918</u>	<u>5,434,853</u>	<u>5,782,721</u>	<u>6,225,208</u>
<u>\$ (497,812)</u>	<u>\$ 239,082</u>	<u>\$ (727,243)</u>	<u>\$ (976,314)</u>	<u>\$ (5,779,729)</u>	<u>\$ (573,193)</u>	<u>\$ (416,513)</u>

LOS ANGELES UNIFIED SCHOOL DISTRICT
Governmental Activities Tax Revenues by Source
Last Ten Fiscal Years
(in thousands)
(Unaudited)

	<u>2006-2007</u>	<u>2007-2008</u>	<u>2008-2009</u>	<u>2009-2010</u>
Property Taxes, Levied for:				
General purposes	\$ 811,282	\$ 806,413	\$ 927,441	\$ 938,189
Debt service	444,951	539,735	598,980	740,719
Community redevelopment	4,479	5,775	1,295	6,054
Total	<u>\$ 1,260,712</u>	<u>\$ 1,351,923</u>	<u>\$ 1,527,716</u>	<u>\$ 1,684,962</u>

See accompanying independent auditor's report.

<u>2010-2011</u>	<u>2011-2012</u>	<u>2012-2013</u>	<u>2013-2014</u>	<u>2014-2015</u>	<u>2015-2016</u>
\$ 909,484	\$ 901,213	\$ 1,139,313	\$ 1,017,071	\$ 1,100,523	\$ 1,303,559
935,428	850,359	965,955	839,521	808,603	759,471
5,320	9,789	13,841	19,306	23,230	24,866
<u>\$ 1,850,232</u>	<u>\$ 1,761,361</u>	<u>\$ 2,119,109</u>	<u>\$ 1,875,898</u>	<u>\$ 1,932,356</u>	<u>\$ 2,087,896</u>

LOS ANGELES UNIFIED SCHOOL DISTRICT
Fund Balances of Governmental Funds
Last Ten Fiscal Years
(in thousands)
(Unaudited)

	<u>2006-2007</u>	<u>2007-2008</u>	<u>2008-2009</u>	<u>2009-2010</u>
General Fund:				
Nonspendable	\$ —	\$ —	\$ —	\$ —
Restricted	—	—	—	—
Committed	—	—	—	—
Assigned	—	—	—	—
Unassigned	—	—	—	—
Reserved	333,103	403,518	565,333	304,762
Unreserved	<u>362,132</u>	<u>253,718</u>	<u>184,629</u>	<u>358,145</u>
Total General Fund	<u>\$ 695,235</u>	<u>\$ 657,236</u>	<u>\$ 749,962</u>	<u>\$ 662,907</u>
District Bonds:				
Nonspendable	\$ —	\$ —	\$ —	\$ —
Restricted	—	—	—	—
Reserved	3,300	3,800	3,800	3,800
Unreserved	<u>949,738</u>	<u>957,677</u>	<u>729,284</u>	<u>3,488,803</u>
Total District Bonds	<u>\$ 953,038</u>	<u>\$ 961,477</u>	<u>\$ 733,084</u>	<u>\$ 3,492,603</u>
Bond Interest and Redemption Fund				
Restricted	\$ —	\$ —	\$ —	\$ —
Reserved	360,140	—	—	—
Unreserved	<u>—</u>	<u>447,880</u>	<u>489,381</u>	<u>630,810</u>
Total Debt Service	<u>\$ 360,140</u>	<u>\$ 447,880</u>	<u>\$ 489,381</u>	<u>\$ 630,810</u>
All Other Governmental Funds:				
Nonspendable	\$ —	\$ —	\$ —	\$ —
Restricted, reported in:				
Special revenue funds	—	—	—	—
Debt service funds	—	—	—	—
Capital projects funds	—	—	—	—
Committed in:				
Special revenue funds	—	—	—	—
Assigned, reported in:				
Special revenue funds	—	—	—	—
Capital projects funds	—	—	—	—
Reserved	7,871	7,391	6,280	5,309
Unreserved, reported in:				
Special revenue funds	245,129	236,369	159,720	122,508
Debt service funds	23,135	49,213	65,372	72,643
Capital projects funds	<u>804,840</u>	<u>915,409</u>	<u>803,322</u>	<u>668,564</u>
Total All Other Governmental Funds	<u>\$ 1,080,975</u>	<u>\$ 1,208,382</u>	<u>\$ 1,034,694</u>	<u>\$ 869,024</u>

*Effective 2010-11, fund balances are presented to conform with GASB statement 54.

See accompanying independent auditor's report.

<u>2010-2011*</u>	<u>2011-2012</u>	<u>2012-2013</u>	<u>2013-2014</u>	<u>2014-2015</u>	<u>2015-2016</u>
\$ 10,417	\$ 11,231	\$ 18,513	\$ 19,631	\$ 20,653	\$ 31,055
266,418	186,563	138,469	192,932	126,519	182,752
—	—	—	—	—	218,300
147,035	465,272	370,359	336,430	418,424	558,701
479,661	161,744	65,376	151,257	254,210	319,373
—	—	—	—	—	—
—	—	—	—	—	—
<u>\$ 903,531</u>	<u>\$ 824,810</u>	<u>\$ 592,717</u>	<u>\$ 700,250</u>	<u>\$ 819,806</u>	<u>\$ 1,310,181</u>
\$ 3,800	\$ 3,800	\$ 3,800	\$ 5,602	\$ 3,430	\$ 3,633
2,816,528	2,102,830	1,725,266	1,121,750	688,095	988,776
—	—	—	—	—	—
—	—	—	—	—	—
<u>\$ 2,820,328</u>	<u>\$ 2,106,630</u>	<u>\$ 1,729,066</u>	<u>\$ 1,127,352</u>	<u>\$ 691,525</u>	<u>\$ 992,409</u>
\$ 724,608	\$ 681,562	\$ 750,540	\$ 712,646	\$ 773,407	\$ 781,386
—	—	—	—	—	—
—	—	—	—	—	—
<u>\$ 724,608</u>	<u>\$ 681,562</u>	<u>\$ 750,540</u>	<u>\$ 712,646</u>	<u>\$ 773,407</u>	<u>\$ 781,386</u>
\$ 5,050	\$ 13,123	\$ 10,203	\$ 6,751	\$ 5,686	\$ 7,105
3,843	5,802	14,711	19,373	22,521	60,188
82,138	59,708	54,698	55,441	56,205	57,008
844,989	666,557	573,575	668,737	621,321	573,254
11,391	9,972	8,789	8,949	5,395	—
51	60	702	626	550	6,754
29,731	55,660	101,556	149,150	185,865	191,301
—	—	—	—	—	—
—	—	—	—	—	—
—	—	—	—	—	—
—	—	—	—	—	—
<u>\$ 977,193</u>	<u>\$ 810,882</u>	<u>\$ 764,234</u>	<u>\$ 909,027</u>	<u>\$ 897,543</u>	<u>\$ 895,610</u>

LOS ANGELES UNIFIED SCHOOL DISTRICT
Changes in Fund Balances of Governmental Funds
Last Ten Fiscal Years
(in thousands)
(Unaudited)

	<u>2006-2007</u>	<u>2007-2008</u>	<u>2008-2009</u>
Revenues:			
Local control funding formula sources	\$ 3,892,689	\$ 3,624,134	\$ 3,444,940
Federal revenues	1,023,992	1,016,465	1,357,169
Other state revenues	2,853,979	3,307,609	3,223,201
Other local revenues	<u>835,529</u>	<u>925,869</u>	<u>904,663</u>
Total Revenues	<u>8,606,189</u>	<u>8,874,077</u>	<u>8,929,973</u>
Expenditures:			
Current:			
Certificated salaries	3,362,475	3,469,214	3,384,912
Classified salaries	1,180,482	1,269,680	1,236,448
Employee benefits	1,440,468	1,464,061	1,440,404
Books and supplies	507,486	574,902	441,855
Services and other operating expenditures	785,742	880,455	872,470
Capital outlay	1,494,934	1,644,450	2,113,952
Debt service – principal	153,258	200,514	302,688
Debt service – bond, COPs, and capital leases interest	285,315	334,525	363,050
Debt service – refunding bond issuance cost	9,665	6,020	—
Other outgo	<u>46,865</u>	<u>882</u>	<u>240</u>
Total Expenditures	<u>9,266,690</u>	<u>9,844,703</u>	<u>10,156,019</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(660,501)</u>	<u>(970,626)</u>	<u>(1,226,046)</u>
Other Financing Sources (Uses):			
Transfers in	362,932	499,947	575,839
Transfers out	(366,926)	(512,061)	(588,821)
Issuance of bonds	900,000	1,000,000	945,774
Premium on bonds issued	33,649	42,258	—
Issuance of refunding bonds	1,889,000	—	—
Premium on refunding bonds issued	49,073	—	—
Issuance of COPs	—	105,374	120,950
Premium on COPs issued	—	—	—
Discount on issuance of COPs	—	—	—
Discount on issuance of refunding bonds	(1,324)	—	—
Payment to COPs escrow agent	—	—	—
Payment to refunded bonds escrow agent	(1,927,084)	—	—
Issuance of refunding COPs	—	—	—
Payment to refunded COPs escrow agent	—	—	(107,795)
CA Energy Commission loan	—	—	—
Insurance proceeds – fire damage	2,935	5,332	1,439
Capital leases	2,394	1,253	1,196
Land and building sale/lease	—	14,110	9,610
Children center facilities revolving fund	<u>—</u>	<u>—</u>	<u>—</u>
Total Other Financing Sources	<u>944,649</u>	<u>1,156,213</u>	<u>958,192</u>
Net Change in Fund Balances	<u>\$ 284,148</u>	<u>\$ 185,587</u>	<u>\$ (267,854)</u>
Debt Service as a Percentage of Noncapital Expenditures	5.8%	6.6%	8.3%

See accompanying independent auditor's report.

2009-2010	2010-2011	2011-2012	2012-2013	2013-2014	2014-2015	2015-2016
\$ 2,977,215	\$ 3,056,350	\$ 2,968,193	\$ 2,913,744	\$ 4,408,214	\$ 4,800,254	\$ 5,290,155
1,289,543	1,463,899	1,179,268	1,017,226	965,830	1,061,216	994,625
2,566,534	2,966,361	2,222,007	2,265,455	1,028,925	1,033,650	1,424,119
918,438	1,198,389	1,084,248	1,140,218	1,049,367	1,098,491	1,062,090
<u>7,751,730</u>	<u>8,684,999</u>	<u>7,453,716</u>	<u>7,336,643</u>	<u>7,452,336</u>	<u>7,993,611</u>	<u>8,770,989</u>
2,929,870	2,948,806	2,799,485	2,661,784	2,657,348	2,857,529	2,924,822
1,126,477	1,058,084	1,025,679	967,573	1,003,137	1,067,487	1,133,842
1,581,239	1,508,612	1,546,789	1,509,401	1,558,637	1,773,490	1,914,777
395,886	495,998	392,154	354,514	384,374	467,510	430,787
867,482	826,514	729,903	918,747	705,874	778,602	909,924
1,677,858	1,241,249	1,021,845	571,357	589,514	533,717	425,474
289,680	303,329	339,789	359,659	358,744	368,238	434,890
410,978	582,330	592,942	584,596	567,462	507,837	521,742
26,604	—	1,608	—	2,087	1,308	1,079
615	181	1,203	1,240	6,326	6,502	5,749
<u>9,306,689</u>	<u>8,965,103</u>	<u>8,451,397</u>	<u>7,928,871</u>	<u>7,833,503</u>	<u>8,362,220</u>	<u>8,703,086</u>
<u>(1,554,959)</u>	<u>(280,104)</u>	<u>(997,681)</u>	<u>(592,228)</u>	<u>(381,167)</u>	<u>(368,609)</u>	<u>67,903</u>
539,641	604,246	874,499	581,194	155,989	304,677	237,905
(552,270)	(615,202)	(885,625)	(591,590)	(166,777)	(314,818)	(242,195)
4,082,645	—	—	—	—	135,830	648,955
92,908	—	—	—	—	6,302	82,789
149,760	—	563,805	—	1,622,200	326,045	577,400
—	—	77,207	—	267,876	62,819	100,400
40,728	83,345	—	—	—	—	—
3,771	3,034	16,648	—	—	—	—
—	(596)	—	—	—	—	—
—	—	—	—	—	—	—
—	—	—	—	—	(33,218)	—
(163,199)	—	(639,404)	—	(1,887,989)	(387,556)	(676,721)
69,685	—	160,190	24,780	—	—	—
(65,328)	(32,548)	(175,887)	(24,641)	—	—	—
—	—	—	—	—	—	—
2,057	1,987	3,221	15,154	845	758	673
931	1,043	930	4	1,741	637	196
2,371	52	321	—	—	139	—
(518)	—	—	—	—	—	—
<u>4,203,182</u>	<u>45,361</u>	<u>(4,095)</u>	<u>4,901</u>	<u>(6,115)</u>	<u>101,615</u>	<u>729,402</u>
<u>\$ 2,648,223</u>	<u>\$ (234,743)</u>	<u>\$ (1,001,776)</u>	<u>\$ (587,327)</u>	<u>\$ (387,282)</u>	<u>\$ (266,994)</u>	<u>\$ 797,305</u>
9.5%	11.5%	12.6%	12.8%	12.8%	11.2%	11.6%

LOS ANGELES UNIFIED SCHOOL DISTRICT
Governmental Fund Types
Expenditures and Other Uses by State-Defined Object
Last Ten Fiscal Years
(in thousands)
(Unaudited)

Fiscal year	Certificated Salaries	Classified Salaries	Employee Benefits	Books and Supplies	Services and Other Operating Expenses
2006-2007	\$ 3,362,475	\$ 1,180,482	\$ 1,440,468	\$ 507,486	\$ 785,742
2007-2008	3,469,214	1,269,680	1,464,061	574,902	880,455
2008-2009	3,384,912	1,236,448	1,440,404	441,855	872,470
2009-2010	2,929,870	1,126,477	1,581,239	395,886	867,482
2010-2011	2,948,806	1,058,084	1,508,612	495,998	826,514
2011-2012	2,799,485	1,025,679	1,546,789	392,154	729,903
2012-2013	2,661,784	967,573	1,509,401	354,514	918,747
2013-2014	2,657,348	1,003,137	1,558,637	384,374	705,874
2014-2015	2,857,529	1,067,487	1,773,490	467,510	778,602
2015-2016	2,924,822	1,133,842	1,914,777	430,787	909,924

Notes:

- ⁽¹⁾ "Other Outgo" includes Tuition for Handicapped Pupils, discount on debt issuance, and payments to debt/refunded debt escrow agent. For fiscal year 2006-07, Charter Schools In-lieu of Taxes was included in total expenditures under object 7280 as Other transfers out. Starting with fiscal year 2007-08, this is presented as reduction of the revenues, as it was presented prior to 2003-04.

See accompanying independent auditor's report.

Capital Outlay	Debt Service	Other Outgo ⁽¹⁾	Operating Transfers Out	Total Expenditures and Other Uses
\$ 1,494,934	\$ 448,238	\$ 1,975,273	\$ 366,926	\$ 11,562,024
1,644,450	541,059	882	512,061	10,356,764
2,113,952	665,738	108,035	588,821	10,852,635
1,677,858	727,262	229,142	552,270	10,087,486
1,241,249	885,659	33,325	615,202	9,613,449
1,021,845	934,339	816,494	885,625	10,152,313
571,357	944,255	25,881	591,590	8,545,102
589,514	928,293	1,894,315	166,777	9,888,269
533,717	877,383	427,276	314,818	9,097,812
425,474	957,711	682,470	242,195	9,622,002

LOS ANGELES UNIFIED SCHOOL DISTRICT
Governmental Fund Types
Expenditures and Other Uses by Goal and Function
Last Ten Fiscal Years
(in thousands)
(Unaudited)

	<u>2006-2007</u>	<u>2007-2008</u>	<u>2008-2009</u>	<u>2009-2010</u>	<u>2010-2011</u>
Instructional Goals:					
General education	\$ 4,270,273	\$ 4,462,660	\$ 4,124,621	\$ 3,820,056	\$ 3,928,156
Special education	1,333,134	1,395,418	1,376,082	1,428,258	1,387,197
Others	94,206	100,135	101,223	85,456	87,876
	<u>5,697,613</u>	<u>5,958,213</u>	<u>5,601,926</u>	<u>5,333,770</u>	<u>5,403,229</u>
Noninstructional Goals:					
Community services	30,269	24,762	28,094	17,094	12,310
Child care services	4,408	4,663	4,847	3,109	2,987
	<u>34,677</u>	<u>29,425</u>	<u>32,941</u>	<u>20,203</u>	<u>15,297</u>
Support Services	<u>1,182,086</u>	<u>1,273,056</u>	<u>1,270,702</u>	<u>1,131,009</u>	<u>988,664</u>
Facilities Acquisition	<u>1,581,955</u>	<u>1,734,161</u>	<u>2,234,066</u>	<u>1,789,389</u>	<u>1,362,715</u>
Food Services	<u>253,798</u>	<u>286,769</u>	<u>323,009</u>	<u>288,760</u>	<u>288,691</u>
Other Outgo:					
Debt service	2,386,554	541,059	773,533	792,590	885,659
All other outgo	425,341	534,081	616,458	731,765	669,194
	<u>2,811,895</u>	<u>1,075,140</u>	<u>1,389,991</u>	<u>1,524,355</u>	<u>1,554,853</u>
Total Expenditures and Other Uses	<u>\$ 11,562,024</u>	<u>\$ 10,356,764</u>	<u>\$ 10,852,635</u>	<u>\$ 10,087,486</u>	<u>\$ 9,613,449</u>

See accompanying independent auditor's report.

<u>2011-2012</u>	<u>2012-2013</u>	<u>2013-2014</u>	<u>2014-2015</u>	<u>2015-2016</u>
\$ 3,642,622	\$ 3,347,583	\$ 3,201,696	\$ 3,632,169	\$ 3,695,363
1,362,253	1,293,613	1,318,026	1,398,934	1,485,132
61,046	44,730	47,558	51,213	38,579
<u>5,065,921</u>	<u>4,685,926</u>	<u>4,567,280</u>	<u>5,082,316</u>	<u>5,219,074</u>
13,055	13,664	12,748	13,318	6,389
2,418	3,932	4,049	3,622	3,559
<u>15,473</u>	<u>17,596</u>	<u>16,797</u>	<u>16,940</u>	<u>9,948</u>
<u>1,007,304</u>	<u>1,208,376</u>	<u>1,230,314</u>	<u>1,291,927</u>	<u>1,571,145</u>
<u>1,098,376</u>	<u>718,990</u>	<u>712,508</u>	<u>719,433</u>	<u>568,326</u>
<u>311,558</u>	<u>334,033</u>	<u>363,880</u>	<u>367,623</u>	<u>370,591</u>
934,339	944,256	928,293	877,383	957,711
1,719,342	635,925	2,069,197	742,190	925,207
<u>2,653,681</u>	<u>1,580,181</u>	<u>2,997,490</u>	<u>1,619,573</u>	<u>1,882,918</u>
<u>\$ 10,152,313</u>	<u>\$ 8,545,102</u>	<u>\$ 9,888,269</u>	<u>\$ 9,097,812</u>	<u>\$ 9,622,002</u>

LOS ANGELES UNIFIED SCHOOL DISTRICT
Governmental Fund Types
Revenues by Source (SACS Report Categories)
Last Ten Fiscal Years
(in thousands)
(Unaudited)

Fiscal Year	Local Control Funding Formula Sources *	Federal	Other State	Other Local	Other Financing Sources	Total
2006-2007	\$ 3,892,689	\$ 1,023,992	\$ 2,853,979	\$ 835,529	\$ 3,239,983	\$ 11,846,172
2007-2008	3,624,134	1,016,465	3,307,609	925,869	1,668,274	10,542,351
2008-2009	3,444,940	1,357,169	3,223,201	904,663	1,654,808	10,584,781
2009-2010	2,977,215	1,289,543	2,566,534	918,438	4,983,979	12,735,709
2010-2011	3,056,350	1,463,899	2,966,361	1,198,389	693,707	9,378,706
2011-2012	2,968,193	1,179,268	2,222,007	1,084,248	1,696,821	9,150,537
2012-2013	2,913,744	1,017,226	2,265,455	1,140,218	621,132	7,957,775
2013-2014	4,408,214	965,830	1,028,925	1,049,367	2,048,651	9,500,987
2014-2015	4,800,254	1,061,216	1,033,650	1,098,491	837,207	8,830,818
2015-2016	5,290,155	994,625	1,424,119	1,062,090	1,648,318	10,419,307

*Prior to 2013-14, this was referred to as Revenue Limit Sources.

See accompanying independent auditor's report.

LOS ANGELES UNIFIED SCHOOL DISTRICT
Assessed Value of Taxable Property
Last Ten Fiscal Years
(in thousands)
(Unaudited)

Fiscal Year	Secured*	Unsecured*	Total Assessed Value	Total District Tax Rates	Increase (Decrease) Over Preceding Year		Total A.D.A.**	Assessed Value per Unit of A.D.A.
					Amount	Rate		
2006-2007	\$ 382,212,502	\$ 20,396,335	\$ 402,608,837	1.106814	\$ 38,739,358	10.65 %	710,770	\$ 566
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

* 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.

LOS ANGELES UNIFIED SCHOOL DISTRICT
Property Tax Rates – All Direct and Overlapping Governments
(Per \$100 of assessed value)
Last Ten Fiscal Years
(Unaudited)

Fiscal Year	Unified General	Unified Bonds	Total Schools Tax	State-Wide for All Agencies	Total District Tax
2006-2007	0.000079	0.106735	0.106814	1.000000	1.106814
2007-2008	0.000040	0.123302	0.123342	1.000000	1.123342
2008-2009	0.000058	0.124724	0.124782	1.000000	1.124782
2009-2010	—	0.151809	0.151809	1.000000	1.151809
2010-2011	—	0.186954	0.186954	1.000000	1.186954
2011-2012	—	0.168187	0.168187	1.000000	1.168187
2012-2013	—	0.175606	0.175606	1.000000	1.175606
2013-2014	—	0.146439	0.146439	1.000000	1.146439
2014-2015	—	0.146881	0.146881	1.000000	1.146881
2015-2016	—	0.129709	0.129709	1.000000	1.129709

Source: 2015-16 Los Angeles County Auditor-Controller “Taxpayers’ Guide.”

See accompanying independent auditor's report.

Metropolitan Water District	Los Angeles County General	City of Los Angeles District No.1	County Flood Control District
0.004700	0.000663	0.045354	0.000052
0.004500	—	0.038051	—
0.004300	—	0.038541	—
0.004300	—	0.041220	—
0.003700	—	0.038895	—
0.003700	—	0.038666	—
0.003500	—	0.037694	—
0.003500	—	0.029754	—
0.003500	—	0.028096	—
0.003500	—	0.023030	—

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

2016				2007			
Rank	Property Owner	Assessed Valuation	% of Total ⁽¹⁾	Property Owner	Assessed Valuation	% of Total ⁽²⁾	
1	Douglas Emmett LLC	\$ 2,625,138	0.48%	Douglas Emmett Realty Funds	\$ 2,362,525	0.62%	
2	Universal Studios	2,197,547	0.40	Ardean Realty Finance Partnership LP	1,341,588	0.35	
3	Essex Portfolio LP	1,591,894	0.29	Universal Studios LLC	1,337,430	0.35	
4	FSP South Flower Street Associates LLC	868,880	0.16	Anheuser Busch Inc.	826,131	0.22	
5	Anheuser Busch Inc.	793,569	0.15	Maguire Partners, 355 S. Grand LLC	544,750	0.14	
6	Rochelle H. Sterling	712,249	0.13	One Hundred Towers LLC	543,861	0.14	
7	One Hundred Towers LLC	620,886	0.12	Duesenberg Investment Company	529,099	0.14	
8	Trizec 333 LA LLC	606,847	0.11	Trizec 333 LA LLC	422,269	0.11	
9	Tishman Speyer Archstone Smith	588,816	0.11	Casden Park LA Brea LLC	381,730	0.10	
10	Maguire Partners 355 S. Grand LLC	567,527	0.11	Paramount Pictures Corp.	369,429	0.10	
11	Olympic and Georgia Partners LLC	542,458	0.10	Trizec 601 Figueroa LLC	365,350	0.10	
12	Paramount Pictures Corp.	541,103	0.10	Rreef America REIT II Corp. BBBB	355,000	0.09	
13	LA Live Properties LLC	516,146	0.09	Twentieth Century Fox Film Corp.	343,965	0.09	
14	Hines REIT West LA Portfolio LP	513,256	0.09	1999 Stars LLC	328,422	0.09	
15	Century City Mall LLC	511,256	0.09	Century City Mall LLC	325,890	0.08	
16	Palment Flower Street Properties	507,788	0.09	Library Square Associates LLC	294,949	0.08	
17	Westfield Topanga Owner LP	503,054	0.09	515 555 Flower Associates LLC	289,213	0.08	
18	Maquire Properties 555 W. Fifth	498,040	0.09	Sunstone Century Star LLC	283,250	0.07	
19	Taubman-Beverly Center	489,044	0.09	2121 Avenue of the Stars LLC	276,500	0.07	
20	Realco Intermediary LLC	479,702	0.09	Maguire Properties 555 W. Fifth LLC	270,785	0.07	
		<u>\$ 16,275,200</u>	<u>2.98%</u>			<u>\$ 11,792,136</u>	<u>3.09%</u>

⁽¹⁾ 2015-16 Local Secured Assessed Valuation: \$546,676,783

⁽²⁾ 2006-07 Local Secured Assessed Valuation: \$381,923,173.

Source: California Municipal Statistics, Inc.

See accompanying independent auditor's report.

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

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
2006-2007	\$ 1,173,752	\$ —	\$ 1,134,757	96.68%	\$ 101,640	\$1,236,397	105.34%
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

⁽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.

LOS ANGELES UNIFIED SCHOOL DISTRICT
Revenue Limit/LCFF Per Unit of Average Daily Attendance
Last Ten Fiscal Years
(Unaudited)

Fiscal Year	K-12 Base Revenue Limit (Deficited)	Adult Base Revenue Limit	LCFF Adjusted Base Grant per ADA ^e			
			Grades K - 3	Grades 4 - 6	Grades 7 - 8	Grades 9 - 12
2006-2007	\$ 5,544.56	\$ 2,530.66				
2007-2008	5,796.56	2,645.30 ^a				
2008-2009	5,645.07	N/A ^b				
2009-2010	4,962.13 ^c	N/A ^b				
2010-2011	5,264.22 ^d	N/A ^b				
2011-2012	5,209.39 ^d	N/A ^b				
2012-2013	5,266.00 ^d	N/A ^b				
2013-2014			\$ 7,676.00	\$ 7,056.00	\$ 7,266.00	\$ 8,638.00
2014-2015			7,740.00	7,116.00	7,328.00	8,712.00
2015-2016			7,820.00	7,189.00	7,403.00	8,801.00

^a Beginning with fiscal year 2007-08, the principal apportionment for Adult is no longer a revenue limit item. It was determined by the State to be more appropriately classified as other state apportionments.

^b Per SBX3 4 (Chapter 12, Statutes of 2009), funding for fiscal years 2008-09 through 2012-13 is based on the District's 2007-08 proportionate share of funding to the State's total available funding for the program.

^c This rate is net of the additional revenue limit reduction of \$252.99 per 2008-09 funded revenue limit ADA.

^d Per Assembly Bill 851, beginning 2010-11, the base revenue limit rate per ADA includes the Beginning Teachers Salary and Meals for Needy.

^e Adjusted Base Grant per ADA (EC Section 42238.02(d)). The 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.



LOS ANGELES UNIFIED SCHOOL DISTRICT
Governmental Fund Types
Schedule of Revenues and Other Sources, Expenditures and Other Uses
by State-Defined Object
Last Ten Fiscal Years
(in thousands)
(Unaudited)

	2006-2007		2007-2008	
	Amount	Percent	Amount	Percent
Revenues and other sources				
Local control funding formula sources	\$ 3,892,689	32.86%	\$ 3,624,134	34.38%
Federal revenues	1,023,992	8.65	1,016,465	9.64
Other state revenues	2,853,979	24.10	3,307,609	31.38
Other local revenues	835,529	7.05	925,869	8.78
Operating transfers in	362,932	3.06	499,947	4.74
Proceeds from issuance of bonds	900,000	7.60	1,000,000	9.49
Premium on bonds issued	33,649	0.28	42,258	0.40
Proceeds from refunding bonds issued	1,889,000	15.95	—	—
Premium on refunding bonds issued	49,073	0.41	—	—
Proceeds from Certificates of Participation (COPs)/ Long-term Capital Lease ⁽¹⁾	2,394	0.02	106,627	1.01
Issuance of refunding COPs	—	—	—	—
Premium on COPs issued	—	—	—	—
Proceeds from Ramona HS/Palisades Charter (2012)	—	—	14,110	0.13
Proceeds from sale of surplus property	—	—	—	—
Insurance proceeds – fire damage	2,935	0.02	5,332	0.05
Children Center facilities fund	—	—	—	—
Total Revenues and Other Sources	<u>\$ 11,846,172</u>	<u>100.00%</u>	<u>\$ 10,542,351</u>	<u>100.00%</u>
Expenditures and other uses				
Current:				
Certificated salaries	\$ 3,362,475	29.07%	\$ 3,469,214	33.50%
Classified salaries	1,180,482	10.21	1,269,680	12.26
Employee benefits	1,440,468	12.46	1,464,061	14.14
Books and supplies	507,486	4.39	574,902	5.55
Services and other operating expenditures	785,742	6.80	880,455	8.50
Capital outlay	1,494,934	12.93	1,644,450	15.88
Debt service	448,238	3.88	541,059	5.22
Other outgo ⁽²⁾	46,865	0.41	882	0.01
Operating transfers out	366,926	3.17	512,061	4.94
Discount on issuance of refunding bonds	1,324	0.01	—	—
Discount on issuance of COPs	—	—	—	—
Payment to refunded bonds escrow agent	1,927,084	16.67	—	—
Payment to COPs escrow agent	—	—	—	—
Payment to refunded COPs escrow agent	—	—	—	—
Total Expenditures and Other Uses	<u>\$ 11,562,024</u>	<u>100.00%</u>	<u>\$ 10,356,764</u>	<u>100.00%</u>

⁽¹⁾ The 2007-08 COPs proceeds were used to finance certain acquisition, development and installation of information technology systems of the District.

See accompanying independent auditor's report.

2008-2009			2009-2010			2010-2011		
Amount	Percent		Amount	Percent		Amount	Percent	
\$ 3,444,940	32.55%		\$ 2,977,215	23.37%		\$ 3,056,350	32.59%	
1,357,169	12.82		1,289,543	10.12		1,463,899	15.61	
3,223,201	30.45		2,566,534	20.15		2,966,361	31.63	
904,663	8.55		918,438	7.21		1,198,389	12.78	
575,839	5.44		539,641	4.24		604,246	6.44	
945,774	8.94		4,082,645	32.06		—	—	
—	—		92,908	0.73		—	—	
—	—		149,760	1.18		—	—	
—	—		—	—		—	—	
122,146	1.15		41,659	0.33		84,388	0.90	
—	—		69,685	0.55		—	—	
—	—		3,771	0.03		3,034	0.03	
9,610	0.09		2,371	0.02		—	—	
—	—		—	—		52	—	
1,439	0.01		2,057	0.01		1,987	0.02	
—	—		(518)	—		—	—	
<u>\$ 10,584,781</u>	<u>100.00%</u>		<u>\$ 12,735,709</u>	<u>100.00%</u>		<u>\$ 9,378,706</u>	<u>100.00%</u>	
\$ 3,384,912	31.19%		\$ 2,929,870	29.04%		\$ 2,948,806	30.67%	
1,236,448	11.39		1,126,477	11.17		1,058,084	11.01	
1,440,404	13.27		1,581,239	15.68		1,508,612	15.69	
441,855	4.07		395,886	3.92		495,998	5.16	
872,470	8.04		867,482	8.60		826,514	8.60	
2,113,952	19.48		1,677,858	16.63		1,241,249	12.91	
665,738	6.14		727,262	7.21		885,659	9.21	
240	—		615	0.01		181	—	
588,821	5.43		552,270	5.47		615,202	6.40	
—	—		—	—		—	—	
—	—		—	—		596	0.01	
—	—		163,199	1.62		—	—	
—	—		—	—		—	—	
107,795	0.99		65,328	0.65		32,548	0.34	
<u>\$ 10,852,635</u>	<u>100.00%</u>		<u>\$ 10,087,486</u>	<u>100.00%</u>		<u>\$ 9,613,449</u>	<u>100.00%</u>	

⁽²⁾ “Other outgo” includes other tuition and transfer of apportionment to another district. For fiscal year 2006-07, Charter Schools In-lieu of Taxes was included in total expenditures under object 7280 as Other transfers out. Starting with fiscal year 2007-08, this is presented as reduction of the revenues.

(Continued)

LOS ANGELES UNIFIED SCHOOL DISTRICT
Governmental Fund Types
Schedule of Revenues and Other Sources, Expenditures and Other Uses
by State-Defined Object (Continued)
Last Ten Fiscal Years
(in thousands)
(Unaudited)

	2011-2012		2012-2013	
	Amount	Percent	Amount	Percent
Revenues and other sources				
Local control funding formula sources	\$ 2,968,193	32.44%	\$ 2,913,744	36.62%
Federal revenues	1,179,268	12.89	1,017,226	12.78
Other state revenues	2,222,007	24.28	2,265,455	28.47
Other local revenues	1,084,248	11.85	1,140,218	14.33
Operating transfers in	874,499	9.56	581,194	7.30
Proceeds from issuance of bonds	—	—	—	—
Premium on bonds issued	—	—	—	—
Proceeds from refunding bonds issued	563,805	6.16	—	—
Premium on refunding bonds issued	77,207	0.84	—	—
Proceeds from Certificates of Participation (COPs)/ Long-term Capital Lease ⁽¹⁾	—	—	—	—
Issuance of refunding COPs	160,190	1.75	24,780	0.31
Premium on COPs issued	16,648	0.18	—	—
Proceeds from Ramona HS/Palisades Charter (2012)	—	—	—	—
Proceeds from sale of surplus property	930	0.01	4	—
Insurance proceeds – fire damage	3,221	0.04	15,154	0.19
Children Center facilities fund	321	—	—	—
Total Revenues and Other Sources	<u>\$ 9,150,537</u>	<u>100.00%</u>	<u>\$ 7,957,775</u>	<u>100.00%</u>
Expenditures and other uses				
Current:				
Certificated salaries	\$ 2,799,485	27.58%	\$ 2,661,784	31.15%
Classified salaries	1,025,679	10.10	967,573	11.32
Employee benefits	1,546,789	15.24	1,509,401	17.66
Books and supplies	392,154	3.86	354,514	4.15
Services and other operating expenditures	729,903	7.19	918,747	10.75
Capital outlay	1,021,845	10.07	571,357	6.70
Debt service	934,339	9.20	944,255	11.05
Other outgo ⁽²⁾	1,203	0.01	1,240	0.01
Operating transfers out	885,625	8.72	591,590	6.92
Discount on issuance of refunding bonds	—	—	—	—
Discount on issuance of COPs	—	—	—	—
Payment to refunded bonds escrow agent	639,404	6.30	—	—
Payment to COPs escrow agent	—	—	—	—
Payment to refunded COPs escrow agent	175,887	1.73	24,641	0.29
Total Expenditures and Other Uses	<u>\$ 10,152,313</u>	<u>100.00%</u>	<u>\$ 8,545,102</u>	<u>100.00%</u>

⁽¹⁾ The 2007-08 COPs proceeds were used to finance certain acquisition, development and installation of information technology systems of the District.

See accompanying independent auditors' report.

(Continued)

2013-2014		2014-2015		2015-2016	
Amount	Percent	Amount	Percent	Amount	Percent
\$ 4,408,214	46.40%	\$ 4,800,254	54.36%	\$ 5,290,155	50.77%
965,830	10.17	1,061,216	12.02	994,625	9.55
1,028,925	10.83	1,033,650	11.70	1,424,119	13.67
1,049,367	11.04	1,098,491	12.44	1,062,090	10.19
155,989	1.64	304,677	3.45	237,905	2.28
—	—	135,830	1.54	648,955	6.23
—	—	6,302	0.07	82,789	0.80
1,622,200	17.07	326,045	3.69	577,400	5.54
267,876	2.82	62,819	0.71	100,400	0.96
1,741	0.02	637	0.01	196	—
—	—	—	—	—	—
—	—	—	—	—	—
—	—	—	—	—	—
—	—	139	—	—	—
845	0.01	758	0.01	673	0.01
—	—	—	—	—	—
<u>\$ 9,500,987</u>	<u>100.00%</u>	<u>\$ 8,830,818</u>	<u>100.00%</u>	<u>\$ 10,419,307</u>	<u>100.00%</u>
\$ 2,657,348	26.87%	\$ 2,857,529	31.41%	\$ 2,924,822	30.40%
1,003,137	10.15	1,067,487	11.73	1,133,842	11.78
1,558,637	15.76	1,773,490	19.49	1,914,777	19.90
384,374	3.89	467,510	5.14	430,787	4.48
705,874	7.14	778,602	8.56	909,924	9.46
589,514	5.96	533,717	5.87	425,474	4.42
928,293	9.39	877,383	9.64	957,711	9.95
6,326	0.06	6,502	0.07	5,749	0.06
166,777	1.69	314,818	3.46	242,195	2.52
—	—	—	—	—	—
—	—	—	—	—	—
1,887,989	19.09	387,556	4.26	676,721	7.03
—	—	33,218	0.37	—	—
—	—	—	—	—	—
<u>\$ 9,888,269</u>	<u>100.00%</u>	<u>\$ 9,097,812</u>	<u>100.00%</u>	<u>\$ 9,622,002</u>	<u>100.00%</u>

⁽²⁾ “Other outgo” includes other tuition and transfer of apportionment to another district. For fiscal year 2006-07, Charter Schools In-lieu of Taxes was included in total expenditures under object 7280 as Other transfers out. Starting with fiscal year 2007-08, this is presented as reduction of the revenues.

(Continued)

LOS ANGELES UNIFIED SCHOOL DISTRICT
Governmental Fund Types
Schedule of Revenues and Other Sources, Expenditures and Other Uses
by State-Defined Object (Continued)
Last Ten Fiscal Years (in thousands)
(Unaudited)

⁽³⁾ Table below shows Detail of Operating transfers out (in thousands):

From	To	2006-2007	2007-2008
General	Adult Education	\$ 4,199	\$ —
General	Cafeteria	288	8,214
General	Child Development	7,133	—
General	Deferred Maintenance	30,188	31,048
General	Capital Services	9,758	12,514
General	Special Reserve	109	—
General	Capital Facilities	—	—
General	Building – Measure K	—	—
General	Building – Measure R	—	—
General	Building – Measure Y	—	—
General	Health & Welfare	3,994	12,114
Adult Education	General	—	10,600
Adult Education	Special Reserve	—	—
Adult Education	Building – Bond Proceeds	—	—
Adult Education	Building – Measure R	—	—
Adult Education	Building – Measure Y	—	—
Cafeteria	Capital Services	—	—
Child Development	General	2,000	—
Deferred Maintenance	General	—	—
Capital Services	General	—	—
Capital Services	State School Building Lease – Purchase	—	—
Capital Services	Special Reserve	—	—
Capital Services	County School Facilities Bonds	—	—
Building	Special Reserve – FEMA	—	—
Building	Building – Measure R	—	—
State School Building Lease – Purchase	State School Building Lease – Purchase	—	—
State School Building Lease – Purchase	Special Reserve	—	259
State School Building Lease – Purchase	Capital Facilities	—	90
State School Building Lease – Purchase	Building – Bond Proceeds	—	11,944
State School Building Lease – Purchase	Building – Measure K	—	8,651
State School Building Lease – Purchase	Building – Measure R	—	—
State School Building Lease – Purchase	Building	—	—
State School Building Lease – Purchase	County School Facilities Bonds	—	—
State School Building Lease – Purchase	County School Facilities Bonds – Prop 55	—	—
Special Reserve	General	28,900	88,200
Special Reserve	Adult Education	—	—
Special Reserve	Cafeteria	—	—
Special Reserve	Capital Services	1,265	23,484
Special Reserve	State School Building Lease – Purchase	—	260
Special Reserve	Capital Facilities	—	—
Special Reserve	Building – Bond Proceeds	—	—
Special Reserve	Building – Measure K	61,228	47,288
Special Reserve	Building – Measure R	2	—
Special Reserve	Building – Measure Y	—	—
Special Reserve	County School Facilities Bonds	—	—
Special Reserve	County School Facilities Bonds – Prop 47	—	—
Special Reserve	County School Facilities Bonds – Prop 55	—	169

<u>2008-2009</u>	<u>2009-2010</u>	<u>2010-2011</u>	<u>2011-2012</u>	<u>2012-2013</u>	<u>2013-2014</u>	<u>2014-2015</u>	<u>2015-2016</u>
\$ —	\$ 168,282	\$ —	\$ —	\$ 60,481	\$ —	\$ —	\$ 2
16,587	12,210	32,061	88,588	53,583	51,000	50,000	21,657
—	165	7,996	19,437	15,322	30,198	24,997	29,944
30,000	—	—	—	—	—	—	—
26,356	30,993	23,849	33,670	30,263	36,116	40,480	33,725
3	—	903	—	—	11	22	—
260	83	—	—	—	—	—	—
—	—	—	—	—	—	—	227
—	—	—	—	8	—	1,641	16
—	—	—	—	976	—	274	33
12,982	12,629	10,956	11,126	10,396	10,787	10,141	4,290
10,600	10,600	—	—	10,431	35	—	902
—	—	—	—	971	—	—	—
—	—	—	—	—	—	—	1
3,197	—	—	—	—	—	—	1
—	—	—	—	—	—	4	—
—	2,482	786	787	787	787	—	—
—	853	—	—	—	—	—	—
—	—	18,501	—	—	—	—	—
231	904	—	737	99	—	—	—
—	2,975	—	—	—	—	—	—
—	1,424	—	—	5,744	—	—	—
—	3,593	—	—	—	—	—	—
229	—	—	—	—	—	—	—
—	—	—	—	—	—	—	440
—	(29)	—	—	—	—	—	—
1	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—
60	118	62	—	—	—	—	—
221	—	—	—	—	—	97	—
—	—	—	2	—	—	—	—
—	—	—	—	—	148	—	—
8	104	—	—	—	—	—	—
—	7	—	—	—	—	—	—
34,117	62,437	52,161	2,436	140	16,901	2,049	—
—	—	—	—	27	—	—	903
—	11,803	—	—	—	—	—	—
123,595	73,100	8,578	—	—	—	—	—
100	—	—	—	1	—	—	—
11	—	—	—	11	—	—	—
1,034	1,557	—	—	773	—	—	—
6,269	629	364	3	4,583	—	70	2
1,383	14,298	3	12	4,614	—	5,051	557
1	—	11	102	7,118	—	1,472	2,467
—	100	—	—	1	—	—	—
355	—	—	—	343	—	—	275
3,657	2,232	5,428	—	1,233	—	—	—

(Continued)

LOS ANGELES UNIFIED SCHOOL DISTRICT
Governmental Fund Types
Schedule of Revenues and Other Sources, Expenditures and Other Uses
by State-Defined Object (Continued)
Last Ten Fiscal Years (in thousands)
(Unaudited)

From	To	2006-2007	2007-2008
Special Reserve – FEMA – Earthquake	County School Facilities Bonds – Prop 55	\$ 120	\$ —
Special Reserve – CRA	General	—	4,293
Special Reserve – CRA	Capital Services	—	—
Special Reserve – CRA	Building – Measure K	—	—
Special Reserve – CRA	Building – Measure R	—	—
Special Reserve – CRA	County School Facilities Bonds – Prop 47	—	—
Capital Facilities	Capital Services	22,215	20,537
Capital Facilities	State School Building Lease – Purchase	2,601	90
Capital Facilities	Special Reserve	—	219
Capital Facilities	Building – Bond Proceeds	—	—
Capital Facilities	Building – Measure K	—	11,409
Capital Facilities	Building – Measure R	—	3
Capital Facilities	Building – Measure Y	—	—
Capital Facilities	County School Facilities Bonds – Prop 47	—	—
Capital Facilities	County School Facilities Bonds – Prop 55	—	—
Building – Bond Proceeds	General	—	—
Building – Bond Proceeds	Deferred Maintenance	—	—
Building – Bond Proceeds	State School Building Lease – Purchase	—	3,307
Building – Bond Proceeds	Special Reserve	—	—
Building – Bond Proceeds	Capital Facilities	—	—
Building – Bond Proceeds	Building – Measure K	—	943
Building – Bond Proceeds	Building – Measure R	9	3,795
Building – Bond Proceeds	Building – Measure Y	—	—
Building – Bond Proceeds	County School Facilities Bonds	—	13
Building – Bond Proceeds	County School Facilities Bonds – Prop 47	—	1,252
Building – Bond Proceeds	County School Facilities Bonds – Prop 55	—	3,287
Building – Bond Proceeds	County School Facilities Bonds – Prop 1D	—	—
Building – Measure K	General	—	—
Building – Measure K	Adult Education	—	—
Building – Measure K	State School Building Lease – Purchase	—	1
Building – Measure K	Special Reserve	27,907	7,819
Building – Measure K	Capital Facilities	—	71
Building – Measure K	Building – Bond Proceeds	146	839
Building – Measure K	Building – Measure R	173	9,956
Building – Measure K	Building – Measure Y	—	8
Building – Measure K	County School Facilities Bonds	6,105	658
Building – Measure K	County School Facilities Bonds – Prop 47	—	—
Building – Measure K	County School Facilities Bonds – Prop 55	—	1,562
Building – Measure K	County School Facilities Bonds – Prop 1D	—	—
Building – Measure Q	General	—	—
Building – Measure Q	Building – Measure K	—	—
Building – Measure Q	Building – Measure R	—	—
Building – Measure Q	Building – Measure Y	—	—
Building – Measure Q	Special Reserve	—	—
Building – Measure R	General	—	—
Building – Measure R	State School Building Lease – Purchase	—	2,970
Building – Measure R	Special Reserve	—	1,151
Building – Measure R	Capital Facilities	—	33
Building – Measure R	Building – Bond Proceeds	1	15,368
Building – Measure R	Building – Measure K	1,563	22,560
Building – Measure R	Building – Measure Y	—	8,901
Building – Measure R	County School Facilities Bonds	1,475	666
Building – Measure R	County School Facilities Bonds – Prop 47	—	94
Building – Measure R	County School Facilities Bonds – Prop 55	—	1,767
Building – Measure R	County School Facilities Bonds – Prop 1D	—	—

<u>2008-2009</u>	<u>2009-2010</u>	<u>2010-2011</u>	<u>2011-2012</u>	<u>2012-2013</u>	<u>2013-2014</u>	<u>2014-2015</u>	<u>2015-2016</u>
\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
4,069	4,003	4,002	—	—	—	90	30,000
—	325	—	—	—	—	—	—
3,571	—	—	—	—	—	—	—
1,129	—	—	—	—	—	—	—
1,300	—	—	—	—	—	—	—
56,461	12,158	10,695	9,574	9,574	9,576	9,574	9,573
—	—	—	—	—	—	—	—
12	—	—	1	22	—	—	—
2	—	—	—	—	—	—	—
151	4	—	338	499	—	1	299
24	—	—	—	259	—	768	1,915
—	—	109	19	—	—	10,975	18,410
—	—	—	—	—	—	—	37
—	—	—	—	1	—	—	—
—	76	—	—	—	—	—	—
—	84	—	—	—	—	—	—
84	82	881	—	13	—	—	—
139	68	—	1	—	—	—	—
3	195	—	—	—	—	—	—
31,010	5,484	4,488	4,500	1,423	—	—	—
23,563	36,480	12,330	8,327	11,222	—	10	4,000
114	15	4	420	8,236	—	3,399	—
2,742	7,689	124	688	1,005	—	—	—
183	814	3,036	1,346	2,087	—	672	455
21,142	2,432	4,174	10,445	3,284	—	—	—
617	417	—	181	414	—	—	—
—	—	—	—	567	—	—	—
4	—	—	—	—	—	—	—
—	—	—	43	—	—	—	—
15,123	94	—	—	200	—	1,419	—
—	—	—	—	—	—	—	—
124	751	—	—	1	—	—	—
5,433	175	1,349	616	288	—	16,425	3,627
236	415	375	11,946	10,583	—	8,734	6,445
—	50	—	—	—	—	—	—
116	—	—	—	—	—	20	528
419	—	3,405	366	716	—	—	—
—	—	—	756	984	—	—	—
—	—	—	—	—	—	—	19,976
—	—	—	—	—	—	—	3
—	—	—	—	—	—	—	234
—	—	—	—	—	—	—	95
—	—	—	—	—	—	—	4
—	—	—	144	510	—	136	222
—	33	177	—	76	—	—	—
161	1,587	116	7,881	—	4,612	5,325	1,797
—	—	—	—	—	—	—	—
40	4,714	119	462	1,283	—	—	1
3,528	158	1,591	2,344	9,876	—	1,696	416
50	787	1,862	7,458	7,395	—	9,161	799
160	7,229	417	615	529	—	—	—
—	—	533	2,536	309	—	678	734
957	520	4,840	4,342	7,765	—	—	—
—	2,480	44	1,297	6,116	—	—	—

(Continued)

LOS ANGELES UNIFIED SCHOOL DISTRICT
Governmental Fund Types
Schedule of Revenues and Other Sources, Expenditures and Other Uses
by State-Defined Object (Continued)
Last Ten Fiscal Years (in thousands)
(Unaudited)

From	To	2006-2007	2007-2008
Building – Measure Y	General	\$ 30,000	\$ 30,000
Building – Measure Y	Adult Education	—	—
Building – Measure Y	Cafeteria	—	—
Building – Measure Y	Capital Services	1,904	1,904
Building – Measure Y	Special Reserve	—	61
Building – Measure Y	Special Reserve - CRA	—	—
Building – Measure Y	Building – Bond Proceeds	—	—
Building – Measure Y	Building – Measure K	8,864	364
Building – Measure Y	Building – Measure R	—	—
Building – Measure Y	County School Facilities Bonds	—	—
Building – Measure Y	County School Facilities Bonds – Prop 47	—	—
Building – Measure Y	County School Facilities Bonds – Prop 55	—	—
Building – Measure Y	County School Facilities Bonds – Prop 1D	—	—
County School Facilities Bonds	Deferred Maintenance	—	—
County School Facilities Bonds	State School Building Lease – Purchase	—	—
County School Facilities Bonds	Special Reserve	3	—
County School Facilities Bonds	Capital Facilities	—	—
County School Facilities Bonds	Building – Bond Proceeds	—	—
County School Facilities Bonds	Building – Measure K	1	106
County School Facilities Bonds	Building – Measure R	—	24
County School Facilities Bonds	Building – Measure Y	—	—
County School Facilities Bonds	County School Facilities Bonds – Prop 47	—	—
County School Facilities Bonds	County School Facilities Bonds – Prop 55	—	—
County School Facilities Bonds – Prop 47	General	—	—
County School Facilities Bonds – Prop 47	State School Building Lease – Purchase	—	—
County School Facilities Bonds – Prop 47	Special Reserve	—	47
County School Facilities Bonds – Prop 47	Capital Facilities	—	1,801
County School Facilities Bonds – Prop 47	Building – Bond Proceeds	1,006	7,375
County School Facilities Bonds – Prop 47	Building – Measure K	15	2,471
County School Facilities Bonds – Prop 47	Building – Measure R	—	4,089
County School Facilities Bonds – Prop 47	Building – Measure Y	—	—
County School Facilities Bonds – Prop 47	County School Facilities Bonds	—	734
County School Facilities Bonds – Prop 47	County School Facilities Bonds – Prop 55	—	1,170
County School Facilities Bonds – Prop 47	County School Facilities Bonds – Prop 1D	—	—
County School Facilities Bonds – Prop 47	Building Fund	—	—
County School Facilities Bonds – Prop 55	State School Building Lease – Purchase	—	15,084
County School Facilities Bonds – Prop 55	Special Reserve	42,457	13,610
County School Facilities Bonds – Prop 55	Special Reserve – FEMA	—	618
County School Facilities Bonds – Prop 55	Capital Facilities	—	90
County School Facilities Bonds – Prop 55	Building – Bond Proceeds	—	21,358
County School Facilities Bonds – Prop 55	Building – Measure K	68,910	8,055
County School Facilities Bonds – Prop 55	Building – Measure R	2,387	17,077
County School Facilities Bonds – Prop 55	Building – Measure Y	—	—
County School Facilities Bonds – Prop 55	County School Facilities Bonds	—	1,987
County School Facilities Bonds – Prop 55	County School Facilities Bonds – Prop 47	—	—
County School Facilities Bonds – Prop 55	County School Facilities Bonds – Prop 1D	—	—
County School Facilities Bonds – Prop 1D	Special Reserve	—	—
County School Facilities Bonds – Prop 1D	Capital Facilities	—	—
County School Facilities Bonds – Prop 1D	State School Building Lease – Purchase	—	—
County School Facilities Bonds – Prop 1D	Building – Bond Proceeds	—	1,721
County School Facilities Bonds – Prop 1D	Building – Measure K	—	1,045
County School Facilities Bonds – Prop 1D	Building – Measure R	—	1,791
County School Facilities Bonds – Prop 1D	Building – Measure Y	—	—
County School Facilities Bonds – Prop 1D	County School Facilities Bonds	—	—
County School Facilities Bonds – Prop 1D	County School Facilities Bonds – Prop 47	—	—
County School Facilities Bonds – Prop 1D	County School Facilities Bonds – Prop 55	—	1,072
		<u>\$ 366,926</u>	<u>\$ 512,061</u>

See accompanying independent auditor's report.

2008-2009	2009-2010	2010-2011	2011-2012	2012-2013	2013-2014	2014-2015	2015-2016
\$ 30,000	\$ —	\$ 13,474	\$ 2,177	\$ 11,830	\$ 5,745	\$ 860	\$ 103
3	2	—	—	44	—	3,333	—
—	—	867	856	1,082	861	1,299	35
1,904	4,073	2,447	2,347	542	—	—	—
651	—	—	—	994	—	39,371	952
—	—	—	—	—	—	—	4
4	1,452	114	1	1,551	—	—	—
550	3,798	22	2,517	11,747	—	6	295
4,446	1,675	18,729	442,604	3,932	—	2,375	144
—	512	669	256	355	—	—	—
—	—	73	8	18	—	587	48
—	—	—	5,315	7,795	—	—	—
—	807	857	135	3,743	—	—	—
—	857	349	—	—	—	—	—
2	45	—	—	—	—	—	—
—	129	—	—	—	—	—	—
—	53	—	—	—	—	—	—
9,480	4,998	5,972	1,831	473	—	—	—
1,364	1,691	—	28	883	—	—	—
1,265	3,086	2,919	1,089	—	—	—	—
2	—	52	—	—	—	—	—
360	734	—	755	11	—	—	—
30	419	—	—	—	—	—	—
—	—	—	—	—	—	—	6
40	—	—	—	24	—	—	—
—	—	—	—	—	—	—	100
—	—	—	—	384	—	—	247
5,924	261	2,873	91	2,963	—	2,017	43
1,429	1,126	1	28	8,086	—	7,273	25,657
62	—	77	958	39	—	31,644	13,059
5	—	403	27	5	—	20,232	6,490
59	—	—	101	—	—	—	—
2	—	87	802	62,000	—	—	—
—	—	—	3,907	—	—	—	—
—	—	—	—	—	—	440	—
—	—	135	—	—	—	—	—
44	—	—	—	193	—	—	—
241	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—
19,251	1,753	5,844	11,664	11,133	—	—	—
4,169	4,637	27,986	54,435	40,256	—	—	—
33,151	4,753	54,810	9,890	21,175	—	—	—
26	—	234,223	18,561	19,823	—	—	—
259	293	—	2,230	2	—	—	—
219	—	45	3	—	—	—	—
—	—	—	47	422	—	—	—
—	—	—	—	571	—	—	—
—	—	220	—	9,152	—	—	—
—	—	—	149	35	—	—	—
9,291	6,277	1,638	10,320	10,916	—	—	—
642	—	1,800	14,379	6,931	—	—	—
19,543	4,524	15,963	50,718	19,078	—	—	—
—	551	3,001	12,502	29,240	—	—	—
65	526	1,943	865	838	—	—	—
398	—	—	—	—	—	—	—
16	370	1,279	483	10,182	—	—	—
<u>\$ 588,821</u>	<u>\$ 552,270</u>	<u>\$ 615,202</u>	<u>\$ 885,625</u>	<u>\$ 591,590</u>	<u>\$ 166,777</u>	<u>\$ 314,818</u>	<u>\$ 242,195</u>

LOS ANGELES UNIFIED SCHOOL DISTRICT
Ratio of Annual Debt Service for General Bonded Debt and Certificates of
Participation (COPs) to Total General Governmental Expenditures
Last Ten Fiscal Years
(in thousands)
(Unaudited)

Fiscal Year	Principal	Interest	Total Debt Service ⁽¹⁾	Total General Governmental Expenditures	Ratio of Debt Service to Total General Governmental Expenditures
2006-2007	\$ 149,230	\$ 284,196	\$ 433,426	\$ 11,562,024	3.75%
2007-2008	197,285	334,967	532,252	10,356,764	5.14
2008-2009	300,245	361,990	662,235	10,852,635	6.10
2009-2010	288,160	490,840	779,000	10,088,004	7.72
2010-2011	326,263	625,219	951,482	9,613,449	9.90
2011-2012	338,462	580,930	919,392	10,152,313	9.06
2012-2013	358,619	580,893	939,512	8,545,102	10.99
2013-2014	357,778	521,766	879,544	9,888,269	8.89
2014-2015	367,291	530,226	897,517	9,097,812	9.87
2015-2016	434,051	516,725	950,776	9,622,002	9.88

Notes:

⁽¹⁾ Payments for General Obligation Bonds and COPs, excluding fees paid in other cities, bond issuance, and other costs.

See accompanying independent auditor's report.



LOS ANGELES UNIFIED SCHOOL DISTRICT
Ratio of Outstanding Debt to Assessed Value and Outstanding Debt Per Capita
Last Ten Fiscal Years
(Dollars in thousands except Outstanding Debt per Capita)
(Unaudited)

Fiscal Year	Population Los Angeles Unified ⁽¹⁾	Total Assessed Value	General Obligation Bonds	Certificates of Participation	Outstanding Debt	
					State School Building Aid Fund Payable	Total Outstanding Debt
2006-2007	4,825,016	\$ 402,608,837	\$ 6,504,880	\$ 410,837	\$ 591	\$ 6,916,308
2007-2008	4,839,918	440,914,390	7,325,045	493,047	286	7,818,378
2008-2009	4,853,617	474,789,798	8,046,220	440,352	—	8,486,572
2009-2010	4,875,984	474,977,291	11,874,430	456,780	—	12,331,210
2010-2011	4,564,712	463,845,551	11,596,250	510,769	—	12,107,019
2011-2012	4,576,585	469,095,225	11,290,485	419,851	—	11,710,336
2012-2013	4,610,596	480,075,491	10,956,555	396,366	—	11,352,921
2013-2014	4,649,352	503,677,919	10,545,135	365,859	—	10,910,994
2014-2015	4,693,245	532,934,207	10,296,665	295,942	—	10,592,607
2015-2016	4,741,738	570,169,464	10,457,615	266,131	—	10,723,746

⁽¹⁾ Estimate.

Sources: Los Angeles County Auditor-Controller "Taxpayers' Guide"
Los Angeles County Department of Regional Research Section

See accompanying independent auditor's report.

Ratio of Outstanding Debt to Assessed Value	Outstanding Debt per Capita
1.7179%	\$ 1,433
1.7732	1,615
1.7874	1,749
2.5962	2,529
2.6101	2,652
2.4964	2,559
2.3648	2,462
2.1663	2,347
1.9876	2,257
1.8808	2,262

LOS ANGELES UNIFIED SCHOOL DISTRICT
Schedule of Direct and Overlapping Bonded Debt
Year Ended June 30, 2016
(in thousands)
(Unaudited)

Government	Percentage Applicable	Amount Applicable
Direct:		
Los Angeles Unified School District		
General Obligation Bonds	100.000%	\$ 10,457,615
Certificates of Participation	100.000	273,805 ⁽¹⁾
		<u>10,731,420</u>
Overlapping: ⁽²⁾		
Los Angeles County General Fund Obligations	44.744	907,861
Los Angeles County Superintendent of Schools Certificates of Participation	44.744	3,555
Los Angeles County Flood Control District	45.630	5,763
Metropolitan Water District	23.163	21,510
Los Angeles Community College District	80.922	2,970,647
Pasadena Area Community College District	0.001	1
City of Los Angeles	99.934	789,863
City of Los Angeles General Fund and Judgment Obligations	99.934	1,640,833
Other City General Fund and Pension Obligation Bonds	Various	247,648
Los Angeles County Sanitation District		
Nos. 1, 2, 4, 5, 8, 9, 16 and 23 Authorities	Various	23,498
Los Angeles County Regional Park & Open Space Assessment District	44.744	22,645
City Community Facilities Districts	100.000	88,305
Other City and Special District 1915 Act Bonds	91.899-100.000	21,734
Other Cities	Various	23,911
Palos Verdes Library District	4.740	59
City of Los Angeles Redevelopment Agency	100.000	502,385
Other Redevelopment Agencies	Various	433,907
		<u>7,704,125</u>
Total Overlapping		<u>7,704,125</u>
Total Gross Direct and Overlapping Debt		18,435,545 ⁽³⁾
Less:		
Los Angeles Unified School District (amount accumulated in Sinking Fund for repayment of 2005 Qualified Zone Academic Bonds)		13,527
City supported obligations		484
		<u>\$ 18,421,534</u>
Total Net Direct and Overlapping Debt		<u>\$ 18,421,534</u>

⁽¹⁾ The amount shown above includes 2007 COPs portion economically defeased for \$7.7 million.

⁽²⁾ Generally includes long-term obligations sold in the public credit markets by public agencies whose boundaries overlap the boundaries of the District.

⁽³⁾ Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and non-bonded capital lease obligations.

Source: California Municipal Statistics, Inc.

See accompanying independent auditor's report.

LOS ANGELES UNIFIED SCHOOL DISTRICT
Legal Debt Margin Information
Last Ten Fiscal Years
(in thousands)
(Unaudited)

Fiscal Year	Debt Limit	Total Amount of Debt Applicable to Debt Limit	Legal Debt Margin	Total Amount of Debt Applicable to Debt Limit as a Percentage of Debt Limit
2006-2007	\$ 10,065,221	\$ 6,504,880	\$ 3,560,341	64.63 %
2007-2008	11,022,860	7,325,045	3,697,815	66.45
2008-2009	11,869,745	8,046,220	3,823,525	67.79
2009-2010	11,874,432	11,874,430	2 ⁽¹⁾	100.00
2010-2011	11,596,139	11,596,250	(111) ⁽¹⁾	100.00
2011-2012	11,727,381	11,290,485	436,896	96.27
2012-2013	12,001,887	10,956,555	1,045,332	91.29
2013-2014	12,591,948	10,545,135	2,046,813	83.75
2014-2015	13,323,355	10,296,665	3,026,690	77.28
2015-2016	14,254,237	10,457,615	3,796,622	73.36

Computation of Legal Debt Margin for Fiscal Year Ended June 30, 2016

Assessed valuation (net taxable)	\$ 567,231,180
Plus exempt property	<u>2,938,284</u>
Total Assessed Valuation	570,169,464
Debt limit – 2.5% of Assessed Valuation per Education Code Section 15106 ⁽²⁾	14,254,237
Bonded Debt:	
General Obligation Bonds	<u>10,457,615 ⁽³⁾</u>
Legal Debt Margin (bonded debt) ⁽²⁾	<u>\$ 3,796,622</u>

⁽¹⁾ Anticipated increase in future assessed value permits the issuance of new GO bonds to the extent that tax limitations are not exceeded and bond proceeds on hand are sufficiently spent down.

⁽²⁾ Converted rate from 10% of 25% of full cash value (2.5%) to 2.5% of 100% of full cash value (2.5%).

⁽³⁾ The amount shown above excludes net unamortized premium of \$506.4 million.

Source: Los Angeles County Auditor-Controller “Taxpayers’ Guide”

See accompanying independent auditor's report.

LOS ANGELES UNIFIED SCHOOL DISTRICT
Demographic Statistics
Last Ten Fiscal Years
(in thousands)
(Unaudited)

Fiscal Year	Population City of Los Angeles	Population Los Angeles Unified*	Population County of Los Angeles	School Enrollment County of Los Angeles	School Enrollment Los Angeles Unified**	Unemployment Rate County of Los Angeles
2006-2007	4,018	4,825	10,332	1,673	830	4.8%
2007-2008	4,046	4,840	10,364	1,648	813	7.5
2008-2009	4,066	4,854	10,393	1,632	795	11.9
2009-2010	4,095	4,876	10,441	1,575	760	12.4
2010-2011	3,810	4,565	9,859	1,589	750	12.3
2011-2012	3,825	4,577	9,885	1,575	715	12.0
2012-2013	3,864	4,611	9,958	1,564	610	10.9
2013-2014	3,905	4,649	10,042	1,553	608	9.0
2014-2015	3,957	4,693	10,137	1,539	595	8.2
2015-2016	4,031	4,742	10,241	1,523	574	6.0

* Estimate

** Beginning with Fiscal Year 2012-13, Secondary enrollment count includes Regional Occupational Program (ROP).

Sources: Los Angeles County Office of Regional Planning Research Section
California State Department of Finance
Los Angeles County Office of Education Information Services Unit
California State Department of Education, Educational Demographics Unit
District's Statistical Records – September Enrollment for Fiscal Year
California Employment Development Department

See accompanying independent auditor's report.

LOS ANGELES UNIFIED SCHOOL DISTRICT
Principal Employers
Current Year and Nine Years Ago
(Unaudited)

2016				2007			
Rank	Employer	Employees	Percentage of Total County Employment ⁽¹⁾	Employer	Employees	Percentage of Total County Employment ⁽²⁾	
1	Kaiser Permanente	32,784	0.68%	Kaiser Permanente	32,180	0.70%	
2	Northrop Grumman Corp.	20,500	0.42	Northrop Grumman Corp.	21,000	0.46	
3	Boeing Co.	16,510	0.34	Boeing Co.	15,825	0.34	
4	Kroger Co.	14,000 *	0.29	Kroger Co.	14,000 *	0.30	
5	Vons	13,603	0.28	University of Southern California	12,379	0.27	
6	University of Southern California	12,604	0.26	Bank of America Corp.	12,200	0.26	
7	Target	12,441	0.26	Vons	12,116	0.26	
8	Bank of America Corp.	11,000	0.23	Target	12,066	0.26	
9	The Home Depot	10,000	0.21	AT&T, Inc.	9,500	0.21	
10	AT&T, Inc.	9,770	0.20	Cedars-Sinai Medical Centers	8,817	0.19	
Total		<u>153,212</u>	<u>3.17%</u>	Total	<u>150,083</u>	<u>3.25%</u>	

* Business Journal estimate

⁽¹⁾ Based on Los Angeles County Employment of 4,844,700

⁽²⁾ Based on Los Angeles County Employment of 4,608,500

Sources: Los Angeles Business Journal
California Employment Development Department

See accompanying independent auditor's report.

LOS ANGELES UNIFIED SCHOOL DISTRICT
Average Daily Attendance/Hours of Attendance
Annual Report
Last Ten Fiscal Years
(Unaudited)

	<u>2006-2007</u>	<u>2007-2008</u>
Elementary:		
Kindergarten	46,131	44,705
Grades 1-3	145,181	141,266
Grades 4-6	143,384	136,245
Grades 7-8	92,832	90,769
Special Education	19,740	19,427
County Special Education	—	—
Opportunity Schools	12	11
Home or Hospital	159	170
Community Day Schools	148	122
County Community Schools	19	26
Total Elementary	<u>447,606</u>	<u>432,741</u>
Secondary:		
Regular Classes	151,323	151,852
Special Education	11,253	11,030
County Special Education	—	—
Compulsory Continuation Education	2,972	2,837
Opportunity Schools	399	433
Home or Hospital	125	130
Community Day Schools	716	692
County Community Schools	93	84
Total Secondary	<u>166,881</u>	<u>167,058</u>
Block grant funded fiscally affiliated charters	<u>5,936</u>	<u>6,482</u>
Total Block Grant Funded Fiscally Affiliated Charters	<u>5,936</u>	<u>6,482</u>
Adult program:		
ROC/P Mandated	18,857	20,309
Classes for Adults – Mandated	64,867	65,684
Concurrently Enrolled Adults	6,594	7,756
Full-time Independent Study*	29	43
Total Adult Program	<u>90,347</u>	<u>93,792</u>
Total Average Daily Attendance	<u><u>710,770</u></u>	<u><u>700,073</u></u>
Summer School Hours of Attendance		
Elementary	9,974,314	10,195,908
Secondary	8,357,150	8,336,362
Dependent Charter	***	***
Total Hours	<u><u>18,331,464</u></u>	<u><u>18,532,270</u></u>

* Students 21 years or older and students 19 or older not continuously enrolled since their 18th birthday, participating in full-time independent study.

** Not collected due to changes made by Education Code Section 42605. For 2008-09 through 2012-13, Districts were not required to operate the program or follow program requirements. Revenue for these years were based on the same relative proportion that the District received for these programs in fiscal year 2007-08.

*** Included with Elementary and Secondary hours.

^a Updated to reflect revised audited annual report.

See accompanying independent auditor's report.

2008-2009	2009-2010	2010-2011	2011-2012	2012-2013
44,393	43,906	43,364	43,737	42,093
138,384	134,001	130,846	127,081	120,880
131,692	127,455	124,800	119,257	111,082
86,871	82,465	78,704	73,733	68,461
19,897	19,204	19,250	18,522	17,966
—	1	1	1	1
10	7	7	8	8
123	118	127	107	118
122	126	85	94	103
22	21	11	15	8
421,514	407,304	397,195	382,555	360,720
151,451	146,707	143,979	135,549	129,037
10,905	10,960	11,252	10,709	10,513
—	1	—	1	—
3,085	3,339	3,507	3,602	3,623
455	492	494	506	492
109	99	98	101	101
772	915	911	933	852
81	240	148	137	175
166,858	162,753	160,389	151,538	144,793
6,655	6,906	7,866	13,499	28,832 ^a
6,655	6,906	7,866	13,499	28,832 ^a
23,379	**	**	**	**
66,905	**	**	**	**
8,297	**	**	**	**
25	**	**	**	**
98,606	—	—	—	—
693,633	576,963	565,450	547,592	534,345 ^a
8,567,366	**	**	**	**
7,203,657	**	**	**	**
***	**	**	**	**
15,771,023	—	—	—	—

(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
District:			
Kindergarten-Grade 3	168,219.59	163,766.40	159,034.61
Grades 4-6	114,458.03	112,308.60	111,528.46
Grades 7-8	71,338.82	68,415.44	65,591.77
Grades 9-12	133,233.66	130,676.24	126,932.24
Total District	<u>487,250.10</u>	<u>475,166.68</u>	<u>463,087.08</u>
County:			
Kindergarten-Grade 3	0.00	0.00	0.00
Grades 4-6	1.23	1.38	1.23
Grades 7-8	7.85	5.12	3.18
Grades 9-12	670.05	628.23	489.84
Total County	<u>679.13</u>	<u>634.73</u>	<u>494.25</u>
Affiliated Charter Schools:			
Kindergarten-Grade 3	16,012.86	15,913.38	15,866.33
Grades 4-6	10,393.49	10,505.83	10,545.58
Grades 7-8	5,758.33	6,070.36	6,000.47
Grades 9-12	7,468.47	7,454.27	7,219.75
Total Affiliated Charter Schools	<u>39,633.15</u>	<u>39,943.84</u>	<u>39,632.13</u>
Total Average Daily Attendance	<u>527,562.38</u>	<u>515,745.25</u>	<u>503,213.46</u>

Note: Starting 2013-14, Local Control Funding Formula (LCFF) replaced the previous K-12 finance system with a new funding formula which is composed of uniform base grants by grade span (K-3, 4-6, 7-8, 9-12).

See accompanying independent auditor's report.



LOS ANGELES UNIFIED SCHOOL DISTRICT
Full-Time Equivalent District Employees by Function
Last Ten Fiscal Years
(Unaudited)

	<u>2006-2007</u>	<u>2007-2008</u>	<u>2008-2009</u>
Governmental Activities:			
Instruction	52,769	51,839	52,317
Support services – students	3,060	3,459	3,455
Support services – instructional staff	5,280	5,883	5,332
Support services – general administration	222	220	219
Support services – school administration	6,045	6,097	6,047
Support services – business	1,154	1,217	1,121
Operation and maintenance of plant services	7,835	7,830	8,016
Student transportation services	1,236	1,346	1,354
Data processing services	722	680	571
Operation of noninstructional services	3,394	3,685	3,976
Facilities acquisition and construction services	994	1,093	1,090
Total Governmental Activities	<u>82,711</u>	<u>83,349</u>	<u>83,498</u>

See accompanying independent auditor's report.

<u>2009-2010</u>	<u>2010-2011</u>	<u>2011-2012</u>	<u>2012-2013</u>	<u>2013-2014</u>	<u>2014-2015</u>	<u>2015-2016</u>
46,896	45,115	44,907	41,817	41,944	41,550	39,442
3,226	3,057	2,810	2,700	2,785	3,164	3,479
4,105	3,970	3,137	2,652	3,008	3,600	3,463
193	187	195	180	184	208	206
5,470	4,741	4,218	3,894	3,865	4,003	4,122
1,134	880	909	1,052	1,089	1,410	1,548
6,842	6,137	6,241	5,814	6,243	6,368	6,853
1,290	1,178	1,041	1,034	1,039	1,029	1,034
384	357	414	442	390	138	239
4,604	4,702	3,186	3,046	3,033	3,036	2,984
1,077	700	844	981	1,213	1,205	1,156
<u>75,221</u>	<u>71,024</u>	<u>67,902</u>	<u>63,612</u>	<u>64,793</u>	<u>65,711</u>	<u>64,526</u>

LOS ANGELES UNIFIED SCHOOL DISTRICT
Capital Assets by Function
Last Ten Fiscal Years
(in thousands)
(Unaudited)

	<u>2006-2007</u>	<u>2007-2008</u>	<u>2008-2009</u>	<u>2009-2010</u>
Governmental Activities:				
Instruction	\$ 478,190	\$ 462,230	\$ 445,482	\$ 441,818
Support services – students	2,850	2,902	2,902	2,902
Support services – instructional staff	64,517	63,334	111,596	111,842
Support services – general administration	4,125	4,124	4,125	4,125
Support services – school administration	71,013	71,875	72,027	73,901
Support services – business	32,499	39,700	46,924	46,924
Operation and maintenance of plant services	139,831	198,985	201,531	201,826
Student transportation services	49,153	46,317	45,033	54,060
Data processing services	438,732	445,150	398,032	402,311
Operation of noninstructional services	11,806	15,574	22,463	23,777
Facilities acquisition and construction services	10,651,910	12,231,831	14,341,812	15,971,711
Total Governmental Activities	<u>\$ 11,944,626</u>	<u>\$ 13,582,022</u>	<u>\$ 15,691,927</u>	<u>\$ 17,335,197</u>

See accompanying independent auditor's report.

2010-2011	2011-2012	2012-2013	2013-2014 (As Restated)	2014-2015	2015-2016
\$ 430,887	\$ 418,744	\$ 390,030	\$ 380,912	\$ 364,022	\$ 344,855
3,820	5,167	5,507	4,514	4,514	4,596
112,492	112,530	67,995	68,068	68,557	68,658
4,126	4,136	4,124	4,124	4,124	4,124
73,973	74,117	72,116	72,116	72,123	72,168
53,672	57,483	55,837	55,842	55,646	58,726
213,453	223,913	147,987	150,265	151,107	155,181
87,166	83,925	95,854	95,630	94,474	94,379
406,813	614,302	690,137	704,216	549,476	550,014
25,381	26,346	28,114	30,182	32,640	36,346
17,122,389	17,859,785	18,471,243	19,306,039	19,824,703	20,194,823
<u>\$ 18,534,172</u>	<u>\$ 19,480,448</u>	<u>\$ 20,028,944</u>	<u>\$ 20,871,908</u>	<u>\$ 21,221,386</u>	<u>\$ 21,583,870</u>

LOS ANGELES UNIFIED SCHOOL DISTRICT
Miscellaneous Statistical Data
Last Ten Fiscal Years
(Unaudited)

Fiscal Year:	July 1 – June 30	2006-2007	2007-2008	2008-2009	2009-2010	2010-2011	2011-2012
Enrollment by Level: (As of September)	Elementary (grades K-5/6)	308,000	295,260	289,969	282,469	281,108	277,269
	Middle/Junior High (grades 6-8)	141,745	136,315	128,528	119,534	106,097	99,726
	Senior High (grades 9-12)	167,113	165,459	161,689	155,740	154,001	142,669
	Magnet Schools/Centers (grades K-12)	53,277	52,525	53,261	56,503	56,952	58,244
	Special Education Schools (grades K-12)	3,673	3,656	3,604	3,552	3,555	3,537
	Total K-12 Enrollment	673,808	653,215	637,051	617,798	601,713	581,445
	Community Adult Schools	108,096	105,668	103,440	80,407	80,618	66,937
	Occupational Centers and Skills Centers	37,672	42,955	43,966	50,068	55,782	52,826
	Total Adult/ROC Enrollment	145,768	148,623	147,406	130,475	136,400	119,763
	Total Enrollment	819,576	801,838	784,457	748,273	738,113	701,208
	Early Education Centers	11,052	11,013	10,787	11,432	12,139	14,242
	Independent Charter Schools	34,961	41,073	51,087	60,643	69,935	82,788
Student-Teacher Ratio & Cost per Student:	Student Enrollment	830,320	812,851	795,244	759,705	750,252	715,450
	Teaching Staff	32,923	36,564	33,166	33,387	32,429	30,100
	Student-Teacher Ratio ⁽¹⁾	25.22 : 1	22.23 : 1	23.98 : 1	22.75 : 1	23.14 : 1	23.77 : 1
	Total Primary Government Expense (in thousands)	\$ 7,577,170	\$ 9,028,343	\$ 9,005,723	\$ 8,247,767	\$ 8,442,307	\$ 8,209,562
	Cost Per Student	\$ 9,126	\$ 11,107	\$ 11,324	\$ 10,857	\$ 11,253	\$ 11,475
Percent of Free & Reduced Students in Lunch Program:	Elementary	86.97 %	85.48 %	86.12 %	86.48 %	85.79 %	85.31 %
	Secondary	89.70	90.23	91.23	91.34	90.10	89.52
	Total	87.77	86.94	87.82	88.18	87.22	86.62
Number of Teachers by Education Level:	Bachelor's Degree (BD)	2,239	1,862	807	618	497	351
	BD + 14 semester units	1,173	894	533	489	379	300
	BD + 28 semester units	3,280	2,988	1,881	1,776	1,564	1,237
	BD + 42 semester units	3,901	3,657	2,732	2,555	2,384	1,999
	BD + 56 semester units	3,420	3,490	2,908	2,734	2,555	2,292
	BD + 70 semester units	3,124	3,327	2,986	2,861	2,736	2,458
	BD + 84 semester units	2,850	3,310	3,085	2,930	2,782	2,574
	BD + 98 semester units	7,147	10,108	10,426	11,839	11,496	10,125
	BD + 98 semester units + 15-19 years of service	2,398	3,079	4,384	3,496	3,989	4,723
	BD + 98 semester units + 20-24 years of service	1,351	1,548	1,554	2,225	2,224	2,301
	BD + 98 semester units + 25-29 years of service	1,215	1,307	1,081	1,040	999	946
	BD + 98 semester units + 30 or more years of service	825	994	789	824	824	794
	Total	32,923	36,564	33,166	33,387	32,429	30,100
	Master's Degree	9,816	12,869	12,845	13,358	13,362	12,658
	Doctorate Degree	505	599	581	601	591	580
Average Teacher Pay by Education Level:	Bachelor's Degree (BD)	\$ 43,352	\$ 43,757	\$ 45,474	\$ 46,186	\$ 46,699	\$ 47,561
	BD + 14 semester units	46,896	47,301	48,926	48,630	49,574	50,775
	BD + 28 semester units	50,047	50,035	52,293	51,801	52,228	53,390
	BD + 42 semester units	53,558	53,524	55,817	55,296	55,752	56,583
	BD + 56 semester units	56,982	57,067	59,095	58,574	59,036	59,884
	BD + 70 semester units	61,323	61,182	62,779	62,288	62,730	63,368
	BD + 84 semester units	64,959	64,605	66,136	65,558	66,225	67,037
	BD + 98 semester units	69,891	69,688	70,396	70,122	70,581	71,069
	BD + 98 semester units + 15-19 years of service	75,024	75,024	75,024	75,024	75,024	75,024
	BD + 98 semester units + 20-24 years of service	75,597	75,597	75,597	75,597	75,597	75,597
	BD + 98 semester units + 25-29 years of service	77,598	77,598	77,598	77,598	77,598	77,598
	BD + 98 semester units + 30 or more years of service	78,906	78,906	78,906	78,906	78,906	78,906
	Master's Degree ⁽²⁾	+584	+584	+584	+584	+584	+584
	Doctorate Degree ⁽²⁾	+1,168	+1,168	+1,168	+1,168	+1,168	+1,168

⁽¹⁾ Overall enrolled students to overall teaching staff.

⁽²⁾ Amount in addition to Bachelor's Degree pay.

Source: District's Records

See accompanying independent auditor's report.

(Continued)

LOS ANGELES UNIFIED SCHOOL DISTRICT
Miscellaneous Statistical Data
Last Ten Fiscal Years (Continued)
(Unaudited)

Fiscal Year:	July 1 – June 30	2012-2013	2013-2014	2014-2015	2015-2016
Enrollment by Level: (As of September)	Elementary (grades K-5/6)	272,804	271,636	265,115	257,930
	Middle/Junior High (grades 6-8)	98,437	95,444	87,895	83,066
	Senior High (grades 9-12) *	133,601	126,823	119,659	114,479
	Magnet Schools/Centers (grades K-12)	58,471	59,319	67,340	70,151
	Special Education Schools (grades K-12)	3,291	2,893	2,424	2,439
	Total K-12 Enrollment	566,604	556,115	542,433	528,065
	Adult Schools	25,764	32,267	32,688	26,745
	Career Technical	5,652	6,509	7,309	6,181
	Total Adult/ROC Enrollment	31,416	38,776	39,997	32,926
	Total Enrollment	598,020	594,891	582,430	560,991
	Early Education Centers	11,899	12,829	12,616	12,722
	Independent Charter Schools	88,931	95,381	101,060	107,142
Student-Teacher Ratio & Cost per Student:	Student Enrollment	609,919 **	607,720 **	595,046	573,713
	Teaching Staff	28,779	28,437	28,546	27,765
	Student-Teacher Ratio ⁽¹⁾	22.38 : 1	22.19 : 1	20.85 : 1	20.66 : 1
	Total Primary Government Expense (in thousands)	\$ 8,207,110	\$ 7,967,671	\$ 8,544,813	\$ 9,158,716
	Cost Per Student	\$ 13,456 **	\$ 13,111 **	\$ 14,360	\$ 15,964
Percent of Free & Reduced					
Students in Lunch Program:	Elementary	84.85 %	85.54 %	84.32 %	85.08 %
	Secondary	88.61	88.81	86.43	85.60
	Total	85.91	86.45	84.95	85.24
Number of Teachers					
by Education Level:	Bachelor's Degree (BD)	303	322	446	470
	BD + 14 semester units	242	290	348	359
	BD + 28 semester units	1,110	1,150	1,284	1,109
	BD + 42 semester units	1,867	1,967	2,077	2,001
	BD + 56 semester units	2,172	2,172	2,250	2,162
	BD + 70 semester units	2,365	2,294	2,369	2,280
	BD + 84 semester units	2,415	2,378	2,346	2,314
	BD + 98 semester units	8,779	7,597	6,493	5,677
	BD + 98 semester units + 15-19 years of service	5,438	6,021	6,521	6,582
	BD + 98 semester units + 20-24 years of service	2,438	2,652	2,537	2,926
	BD + 98 semester units + 25-29 years of service	953	940	1,279	1,276
	BD + 98 semester units + 30 or more years of service	697	654	596	609
	Total	28,779	28,437	28,546	27,765
	Master's Degree	12,723	12,339	12,477	12,297
	Doctorate Degree	343	542	531	526
Average Teacher Pay by Education Level:	Bachelor's Degree (BD)	\$ 47,747	\$ 47,630	\$ 48,357	\$ 49,580
	BD + 14 semester units	51,425	50,506	51,576	52,527
	BD + 28 semester units	53,980	53,506	54,748	57,188
	BD + 42 semester units	56,869	56,234	58,260	60,472
	BD + 56 semester units	60,206	60,052	62,437	64,732
	BD + 70 semester units	63,865	63,764	66,409	69,121
	BD + 84 semester units	67,312	67,321	70,597	73,457
	BD + 98 semester units	71,444	71,628	75,199	78,196
	BD + 98 semester units + 15-19 years of service	75,024	75,024	78,806	81,989
	BD + 98 semester units + 20-24 years of service	75,597	75,597	79,408	82,616
	BD + 98 semester units + 25-29 years of service	77,598	77,598	81,509	84,802
	BD + 98 semester units + 30 or more years of service	78,906	78,906	82,883	86,231
	Master's Degree ⁽²⁾	+584	+584	+584	+584
	Doctorate Degree ⁽²⁾	+1,168	+1,168	+1,168	+1,168

* Beginning with Fiscal Year 2012-2013, enrollment count includes Regional Occupational Program (ROP).

** Updated to exclude Independent Charter Schools.

⁽¹⁾ Overall enrolled students to overall teaching staff.

⁽²⁾ Amount in addition to Bachelor's Degree pay.

Source: District's Records

See accompanying independent auditor's report.



**STATE AND FEDERAL
COMPLIANCE
INFORMATION
SECTION**

LOS ANGELES UNIFIED SCHOOL DISTRICT
General Fund
Schedule of Principal Apportionment from the State School Fund
Year Ended June 30, 2016

	District	Affiliated Charters
Local Control Funding Formula (LCFF)		
LCFF Funded Average Daily Attendance (ADA)		
K-3 ADA	163,795.72	15,861.71
4-6 ADA	111,164.94	10,562.79
7-8 ADA	67,019.21	6,023.32
9-12 ADA	132,171.80	7,306.03
Total Funded ADA	<u>474,151.67</u>	<u>39,753.85</u>
Unduplicated Pupil Percentage	83.82%	varies by school
LCFF State Aid		
Base Grant Funding	\$ 3,739,434,508	\$ 308,865,477
Supplemental Grant Funding	626,878,800	24,778,767
Concentration Grant Funding	538,852,513	5,174,278
Add-On (Based on 2012-13 Targeted Instructional Improvement Block Grant)	460,431,314	—
Add-On (Based on 2012-13 Home-to-School Transportation)	77,587,829	—
Total LCFF Target Entitlement	<u>5,443,184,964</u>	<u>338,818,522</u>
Total LCFF Floor Entitlement	4,446,104,140	283,042,153
Adjustments to Floor Entitlement - Target Entitlement is lower	—	(110,452)
Current Year Gap Funding (52.56%)	524,041,911	29,372,782
Economic Recovery Target	—	371,366
Total Local Revenue or In-Lieu of Property Taxes	(1,009,188,835)	(79,842,826)
Education Protection Account Entitlement	<u>(649,059,037)</u>	<u>(41,332,042)</u>
Net State Aid-Current Year	<u>3,311,898,179</u>	<u>191,500,981</u>
State Aid – Prior Years	7,102,973	(57,250)
Principal apportionments – other state revenues		
Special education		
Current year	362,330,713	—
Prior years	7,786,900	—
Other State Apportionments		
Current year	3,086,253	—
Prior years	—	—
Total Principal Apportionment from State School Funds	<u>\$ 3,692,205,018</u>	<u>\$ 191,443,731</u>

See accompanying independent auditor's report.

LOS ANGELES UNIFIED SCHOOL DISTRICT
General Fund
Schedule of Appropriations, Expenditures and Other Uses, and Unexpended Balances
by District Defined Program
Year Ended June 30, 2016
(in thousands)

	<u>Appropriations</u>	<u>Expenditures and Other Uses</u>	<u>Unexpended Balances</u>
Regular program:			
General Program – Schools	\$ 3,683,819	\$ 3,403,875	\$ 279,944
General Program – Support Services	923,451	785,865	137,586
General Program – Hourly Intervention/ Remediation	1,000	709	291
General Program – Interfund Transfers	67,151	55,438	11,713
General Program – Options Programs	69,191	60,788	8,403
Special Education – Schools	1,443,842	1,394,790	49,052
Special Education – Support Services	95,949	68,203	27,746
Special Education – Extended Session	18,276	16,793	1,483
Student Integration – Schools	157,719	143,704	14,015
Student Integration – Support Services	11,856	11,212	644
ROC/Skill Centers – Schools	8,262	10,199	(1,937)
ROC/Skill Centers – Support Services	1,460	1,897	(437)
Regional Occupational Programs – Schools	16,979	14,969	2,010
Regional Occupational Programs – Support Services	795	674	121
On-going & Major Maintenance – Schools	103,577	89,373	14,204
On-going & Major Maintenance – Support Services	111,036	93,775	17,261
Community Services	2,926	4,955	(2,029)
Reserves and Resources Allocations	5,691	5,632	59
Alternative Education and Work Centers	6,414	5,838	576
Total Regular Program	6,729,394	6,168,689	560,705
Specially Funded Programs	671,458	554,463	116,995
Total General Fund	<u>\$ 7,400,852</u>	<u>\$ 6,723,152</u>	<u>\$ 677,700</u>

See accompanying independent auditor's report.

LOS ANGELES UNIFIED SCHOOL DISTRICT
General Fund
Expenditures and Other Uses by Goal and Function
Year Ended June 30, 2016
(in thousands)

Instruction	<u>\$ 4,991,019</u>
Support Services	
Supervision of instruction	51,122
Library, media, technology and other instructional resources	13,709
School administration	317,458
Pupil support services	129,619
Pupil transportation	9,667
Data processing services	21,381
Plant maintenance and operations	590,230
Facilities rents and leases	5,153
Central administration	410,353
Total Support Services	<u>1,548,692</u>
Other Goals	
Community services	6,389
Child care and development services	505
Food services	26,605
Total Other Goals	<u>33,499</u>
Facilities Acquisition and Construction	<u>53,468</u>
Other Outgo	
Debt service	806
All other outgo	95,668
Total Other Outgo	<u>96,474</u>
Total Expenditures and Other Uses	<u><u>\$ 6,723,152</u></u>

See accompanying independent auditor's report.

LOS ANGELES UNIFIED SCHOOL DISTRICT
General Fund
Schedule of Current Expense of Education
Year Ended June 30, 2016
(in thousands)

	Total Expense for the Year	Excluded Amounts*	Current Expense of Education	Current Expense of Education per Unit of A.D.A.**
Certificated salaries	\$ 2,842,265	\$ 4,231	\$ 2,838,034	\$ 5,645.37
Classified salaries	927,433	25,464	901,969	1,794.18
Employee benefits (excluding PERS reduction)	1,731,250	60,545	1,670,705	3,323.34
Books, supplies, and equipment replacement	245,703	8,465	237,238	471.91
Services & operating expense and direct support	838,924	13,040	825,884	1,642.83
Total	\$ 6,585,575	\$ 111,745	\$ 6,473,830	\$ 12,877.63

* The excluded amounts relate to Nonagency, Community Services, Food Services, Fringe Benefits to Retirees, and Facilities Acquisition and Construction.

** Annual A.D.A. (Average Daily Attendance) used is 502,719.21. Amounts rounded to nearest cent.

Note: Computation of current expense of education was prepared according to state guidelines.

See accompanying independent auditor's report.

LOS ANGELES UNIFIED SCHOOL DISTRICT
General Fund
Schedule of Special Purpose Revenues, Expenditures, and Restricted Balances
Year Ended June 30, 2016
(in thousands)

	Balances July 1, 2015	Revenues	Expenditures	Contributions	Balances June 30, 2016
Medi-Cal Billing Options	\$ 5,886	\$ 16,242	\$ 13,831	\$ —	\$ 8,297
FEMA Public Assistance Funds	159	—	20	—	139
Cops More Program	35	—	—	(35)	—
School Mental Health Medi-cal Rehabilitation	4,863	3,827	3,101	—	5,589
Medi-Cal Electronic Health Record Incentive	422	156	84	—	494
Emergency Repair Program - Williams Case	—	1,915	1,915	—	—
California Clean Energy Jobs Act	52,112	23,280	5,028	—	70,364
Educator Effectiveness	—	48,646	9,291	—	39,355
English Language Acquisition Program, Teacher Training & Student Assistance	3,697	—	286	—	3,411
Lottery: Instructional Materials	—	27,249	27,184	—	65
Pupils with Disabilities Attending Regional Occupational Centers and Programs	—	—	1,878	1,878	—
Special Education	3,503	370,180	1,259,033	888,966	3,616
Special Education: State Local Assistance Grant	—	217	217	—	—
Special Ed: Early Ed Individuals with Exceptional Needs (Infant Program)	—	3,086	3,175	89	—
Special Education: Mental Health Services	—	36,479	36,479	—	—
Economic Impact Aid: Limited English Proficiency (LEP)	3,948	—	2,550	—	1,398
Quality Education Investment Act	41,560	—	29,249	—	12,311
Common Core State Standards Implementation	—	—	(2)	(2)	—
STRS On-Behalf Pension Contributions	—	170,802	170,802	—	—
California Energy Commission Loan Expenditures	428	—	31	—	397
Employment Training Panel-Regional Occupational Centers and Programs	24	308	2	—	330
Ongoing and Major Maintenance Account	2,049	—	183,148	212,564	31,465
Certificates of Participation (Acquisition Accounts) Proceeds	7,364	—	2,090	(51)	5,223
Clean Cities Grant	86	—	—	—	86
Cognitive Behavioral Intervention Therapy	354	—	149	—	205
B.E.S.T. Behavior Special Education	29	—	22	—	7
Totals	\$ 126,519	\$ 702,387	\$ 1,749,563	\$ 1,103,409	\$ 182,752

See accompanying independent auditor's report.

LOS ANGELES UNIFIED SCHOOL DISTRICT
Adult Education Fund
Schedule of Revenues and Other Sources, Expenditures, and Other Uses
by Function, and Changes in Fund Balance
Year Ended June 30, 2016
(in thousands)

Revenues and Other Sources:	
Federal revenues	\$ 14,147
Other state revenues	102,874
Other local revenues	882
Interfund transfers	905
	<hr/>
Total Revenues and Other Sources	118,808
	<hr/>
Expenditures and Other Uses:	
Instruction	48,194
Support Services	
Supervision of instruction	10,104
School administration	13,857
Guidance and counseling services	6,683
General administration cost transfers	2,908
Plant maintenance and operations	11,660
Facilities acquisition and construction	2,059
Facilities rents and leases	51
Interfund Transfers	905
	<hr/>
Total Expenditures and Other Uses	96,421
	<hr/>
Excess of Revenues and Other Sources Over Expenditures and Other Uses	22,387
Fund Balance, July 1, 2015	5,426
	<hr/>
Fund Balance, June 30, 2016	\$ 27,813
	<hr/> <hr/>

See accompanying independent auditor's report.

LOS ANGELES UNIFIED SCHOOL DISTRICT
Child Development Fund
Schedule of Revenues and Other Sources, Expenditures, and Other Uses
by Function, and Changes in Fund Balance
Year Ended June 30, 2016
(in thousands)

Revenues and Other Sources:	
Federal revenues	\$ 3,584
Other state revenues	106,063
Other local revenues	6,780
Interfund transfers	<u>29,944</u>
Total Revenues and Other Sources	<u>146,371</u>
Expenditures and Other Uses:	
Instruction	114,154
Support Services	
Supervision of instruction	3,605
School administration	14,063
Health services	732
Food Services	1
Other general administration	5,317
Plant maintenance and operations	8,007
Facilities acquisition & construction	485
Debt Service	<u>79</u>
Total Expenditures and Other Uses	<u>146,443</u>
Excess of Revenues and Other Sources Over Expenditures and Other Uses	(72)
Fund Balance, July 1, 2015	<u>551</u>
Fund Balance, June 30, 2016	<u><u>\$ 479</u></u>

See accompanying independent auditor's report.

LOS ANGELES UNIFIED SCHOOL DISTRICT
All Funds
Schedule of Fund Equity
Year Ended June 30, 2016
(in thousands)

	General Fund	Adult Education Fund	Cafeteria Fund	Child Development Fund	Bond Interest & Redemption Fund	Tax Override Fund
Nonspendable:						
Revolving and imprest funds	\$ 2,733	\$ 26	\$ —	\$ 1	\$ —	\$ —
Inventories	18,688	—	7,078	—	—	—
Prepays	9,634	—	—	—	—	—
Total Nonspendable	<u>31,055</u>	<u>26</u>	<u>7,078</u>	<u>1</u>	<u>—</u>	<u>—</u>
Restricted	<u>182,752</u>	<u>21,511</u>	<u>38,677</u>	<u>—</u>	<u>781,386</u>	<u>390</u>
Committed	<u>218,300</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Assigned	<u>558,701</u>	<u>6,276</u>	<u>—</u>	<u>478</u>	<u>—</u>	<u>—</u>
Unassigned						
Reserved for economic uncertainties	72,376	—	—	—	—	—
Unassigned	<u>246,997</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Total Unassigned	<u>319,373</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Restricted net position	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Unrestricted net position	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Total Fund Equity/Net Position	<u>\$ 1,310,181</u>	<u>\$ 27,813</u>	<u>\$ 45,755</u>	<u>\$ 479</u>	<u>\$ 781,386</u>	<u>\$ 390</u>

See accompanying independent auditor's report.

Capital Services Fund	Building Account – Bond Proceeds	Building Account – Measure K	Building Account – Measure R	Building Account – Measure Y	Building Account – Measure Q	Building Fund	State School Building Lease – Purchase Fund	Special Reserve Fund
\$ —	\$ 2,990	\$ (145)	\$ 709	\$ 110	\$ (31)	\$ —	\$ —	\$ —
—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—
—	2,990	(145)	709	110	(31)	—	—	—
56,618	8,489	208,173	248,668	35,996	487,450	—	6,013	84,593
—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	8,175	—	—
—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—
\$ 56,618	\$ 11,479	\$ 208,028	\$ 249,377	\$ 36,106	\$ 487,419	\$ 8,175	\$ 6,013	\$ 84,593

(Continued)

LOS ANGELES UNIFIED SCHOOL DISTRICT
All Funds
Schedule of Fund Equity (Continued)
Year Ended June 30, 2016
(in thousands)

	Special Reserve Fund – FEMA – Earthquake	Special Reserve Fund – FEMA – Hazard Mitigation	Special Reserve Fund – Community Redevelopment Agency	Capital Facilities Account Fund	County School Facilities Bonds Fund – Prop 47
Nonspendable:					
Revolving and imprest funds	\$ —	\$ —	\$ —	\$ —	\$ —
Inventories	—	—	—	—	—
Prepays	—	—	—	—	—
Total Nonspendable	—	—	—	—	—
Restricted	5,521	—	44,214	—	432,913
Committed	—	—	—	—	—
Assigned	111	2,074	—	180,941	—
Unassigned					
Reserved for economic uncertainties	—	—	—	—	—
Unassigned	—	—	—	—	—
Total Unassigned	—	—	—	—	—
Restricted net position	—	—	—	—	—
Unrestricted net position	—	—	—	—	—
Total Fund Equity/Net Position	<u>\$ 5,632</u>	<u>\$ 2,074</u>	<u>\$ 44,214</u>	<u>\$ 180,941</u>	<u>\$ 432,913</u>

See accompanying independent auditor's report.

Health and Welfare Benefits Fund	Workers' Compensation Self – Insurance Fund	Liability Self – Insurance Fund	Other Postemployment Benefit (OPEB) Trust Fund
\$ —	\$ —	\$ —	\$ —
—	—	—	—
—	—	—	—
—	—	—	—
—	—	—	—
—	—	—	—
—	—	—	—
—	—	—	—
—	—	—	—
—	—	—	—
—	—	—	—
—	—	—	145,238
311,213	4,445	1,678	—
\$ 311,213	\$ 4,445	\$ 1,678	\$ 145,238

LOS ANGELES UNIFIED SCHOOL DISTRICT
All Funds
Schedule of Revenues and Other Financing Sources
Year Ended June 30, 2016
(in thousands)

			<u>Special Revenue</u>			
	<u>SACS Object Code</u>	<u>General Fund</u>	<u>Adult Education</u>	<u>Child Development</u>	<u>Cafeteria</u>	
Local Control Funding Formula (LCFF) Sources:						
Principal Apportionment:						
State Aid – Current Year	8011	\$ 3,503,399	\$ —	\$ —	\$ —	
Education Protection Account Entitlement	8012	690,391	—	—	—	
State Aid – Prior Years	8019	7,046	—	—	—	
Tax Relief Subventions:						
Homeowners' Exemptions	8021	6,879	—	—	—	
Other Subventions/In-lieu of Taxes	8029	7,085	—	—	—	
County & District Taxes:						
Secured Roll Taxes	8041	980,324	—	—	—	
Unsecured Roll Taxes	8042	36,747	—	—	—	
Prior Years' Taxes	8043	17,237	—	—	—	
Supplemental Taxes	8044	26,141	—	—	—	
Education Revenue Augmentation Fund (ERAF)	8045	171,532	—	—	—	
Community Redevelopment Funds	8047	56,890	—	—	—	
Penalties/Int. – Delinquent LCFF Taxes	8048	724	—	—	—	
LCFF Transfers:						
Transfer to Charter In Lieu Property Taxes	8096	(214,240)	—	—	—	
Total LCFF Sources		<u>5,290,155</u>	<u>—</u>	<u>—</u>	<u>—</u>	
Federal Revenues:						
Special Education Entitlement	8181	101,498	—	—	—	
Special Education Discretionary Grant	8182	22,837	—	—	—	
Child Nutrition Programs	8220	—	—	—	302,954	
Donated Food Commodities	8221	—	—	—	19,317	
Forest Reserve Funds	8260	70	—	—	—	
FEMA	8281	—	—	—	—	
Interagency Contracts Between LEAs	8285	3,163	—	40	—	
NCLB Title I Part A, Basic Grants Low Income and Neglected	8290	299,348	—	—	—	
NCLB Title I Part D, Local Delinquent Programs	8290	1,061	—	—	—	
NCLB Title II Part A, Teacher Quality	8290	37,773	—	—	—	
NCLB Title III, Limited English Proficient	8290	16	—	—	—	
Other No Child Left Behind	8290	15,936	—	—	—	
Vocational & Applied Technology Education	8290	38,570	974	—	—	
JTPA/WIA	8290	58,340	—	—	—	
Other Federal Revenue	8290	6,841	13,173	3,544	16	
Total Federal Revenues		<u>585,453</u>	<u>14,147</u>	<u>3,584</u>	<u>322,287</u>	

LOS ANGELES UNIFIED SCHOOL DISTRICT
All Funds
Schedule of Revenues and Other Financing Sources (Continued)
Year Ended June 30, 2016
(in thousands)

		Capital Projects			
	SACS Object Code	Capital Facilities	State School Building Lease – Purchase	Special Reserve	Special Reserve CRA
Local Control Funding Formula (LCFF) Sources:					
Principal Apportionment:					
State Aid – Current Year	8011	\$ —	\$ —	\$ —	\$ —
Education Protection Account Entitlement	8012	—	—	—	—
State Aid – Prior Years	8019	—	—	—	—
Tax Relief Subventions:					
Homeowners’ Exemptions	8021	—	—	—	—
Other Subventions/In-lieu of Taxes	8029	—	—	—	—
County & District Taxes:					
Secured Roll Taxes	8041	—	—	—	—
Unsecured Roll Taxes	8042	—	—	—	—
Prior Years’ Taxes	8043	—	—	—	—
Supplemental Taxes	8044	—	—	—	—
Education Revenue Augmentation Fund (ERAF)	8045	—	—	—	—
Community Redevelopment Funds	8047	—	—	—	—
Penalties/Int. – Delinquent LCFF Taxes	8048	—	—	—	—
LCFF Transfers:					
Transfer to Charter In Lieu Property Taxes	8096	—	—	—	—
Total LCFF Sources		—	—	—	—
Federal Revenues:					
Special Education Entitlement	8181	—	—	—	—
Special Education Discretionary Grant	8182	—	—	—	—
Child Nutrition Programs	8220	—	—	—	—
Donated Food Commodities	8221	—	—	—	—
Forest Reserve Funds	8260	—	—	—	—
FEMA	8281	—	—	28	—
Interagency Contracts Between LEAs	8285	—	—	—	—
NCLB Title I Part A, Basic Grants Low Income and Neglected	8290	—	—	—	—
NCLB Title I Part D, Local Delinquent Programs	8290	—	—	—	—
NCLB Title II Part A, Teacher Quality	8290	—	—	—	—
NCLB Title III, Limited English Proficient	8290	—	—	—	—
Other No Child Left Behind	8290	—	—	—	—
Vocational & Applied Technology Education	8290	—	—	—	—
JTPA/WIA	8290	—	—	—	—
Other Federal Revenue	8290	—	—	—	—
Total Federal Revenues		—	—	28	—

LOS ANGELES UNIFIED SCHOOL DISTRICT
All Funds
Schedule of Revenues and Other Financing Sources (Continued)
Year Ended June 30, 2016
(in thousands)

		Internal Service Funds			
	SACS Object Code	Health and Welfare Benefits	Workers' Compensation Self-Insurance	Liability Self-Insurance	
Local Control Funding Formula (LCFF) Sources:					
Principal Apportionment:					
State Aid – Current Year	8011	\$ —	\$ —	\$ —	
Education Protection Account Entitlement	8012	—	—	—	
State Aid – Prior Years	8019	—	—	—	
Tax Relief Subventions:					
Homeowners' Exemptions	8021	—	—	—	
Other Subventions/In-lieu of Taxes	8029	—	—	—	
County & District Taxes:					
Secured Roll Taxes	8041	—	—	—	
Unsecured Roll Taxes	8042	—	—	—	
Prior Years' Taxes	8043	—	—	—	
Supplemental Taxes	8044	—	—	—	
Education Revenue Augmentation Fund (ERAF)	8045	—	—	—	
Community Redevelopment Funds	8047	—	—	—	
Penalties/Int. – Delinquent LCFF Taxes	8048	—	—	—	
LCFF Transfers:					
Transfer to Charter In Lieu Property Taxes	8096	—	—	—	
Total LCFF Sources		—	—	—	
Federal Revenues:					
Special Education Entitlement	8181	—	—	—	
Special Education Discretionary Grant	8182	—	—	—	
Child Nutrition Programs	8220	—	—	—	
Donated Food Commodities	8221	—	—	—	
Forest Reserve Funds	8260	—	—	—	
FEMA	8281	—	—	—	
Interagency Contracts Between LEAs	8285	—	—	—	
NCLB Title I Part A, Basic Grants Low Income and Neglected	8290	—	—	—	
NCLB Title I Part D, Local Delinquent Programs	8290	—	—	—	
NCLB Title II Part A, Teacher Quality	8290	—	—	—	
NCLB Title III, Limited English Proficient	8290	—	—	—	
Other No Child Left Behind	8290	—	—	—	
Vocational & Applied Technology Education	8290	—	—	—	
JTPA/WIA	8290	—	—	—	
Other Federal Revenue	8290	—	—	—	
Total Federal Revenues		—	—	—	

<u>Total</u>		OPEB Trust Fund	<u>Total</u>
\$	—	\$	—
	—		3,503,399
	—		690,391
	—		7,046
	—		6,879
	—		7,085
	—		980,324
	—		36,747
	—		17,237
	—		26,141
	—		171,532
	—		56,890
	—		724
	—		(214,240)
	—		<u>5,290,155</u>
	—		101,498
	—		22,837
	—		302,954
	—		19,317
	—		70
	—		28
	—		3,203
	—		299,348
	—		1,061
	—		37,773
	—		16
	—		15,936
	—		39,544
	—		58,340
	—		<u>92,700</u>
	—		<u>994,625</u>
			(Continued)

LOS ANGELES UNIFIED SCHOOL DISTRICT
All Funds
Schedule of Revenues and Other Financing Sources (Continued)
Year Ended June 30, 2016
(in thousands)

		Special Revenue			
	SACS Object Code	General Fund	Adult Education	Child Development	Cafeteria
Other State Revenues:					
Spec. Ed. Master Plan:					
Current Year	8311	\$ 362,331	\$ —	\$ —	\$ —
Prior Years	8319	7,787	—	—	—
All Other State Apportionments – Current Year	8311	3,086	—	—	—
Child Nutrition Programs	8520	—	—	—	22,519
School Facilities Apportionments	8545	—	—	—	—
Mandated Costs Reimbursements	8550	291,721	—	—	—
Lottery – Unrestricted and Instructional Materials	8560	105,294	—	—	—
Voted Indebtedness Levies Homeowners' Exemptions	8571	—	—	—	—
Adult Education Block Grant	8590	—	95,187	—	—
After School Education and Safety (ASES)	8590	77,991	—	—	—
Drug/Alcohol/Tobacco Funds	8590	1,226	—	—	—
California Clean Energy Act	8590	23,106	—	—	—
Specialized Secondary	8590	444	—	—	—
State Preschool	8590	—	—	103,706	—
All Other State Revenue	8590	271,693	7,687	2,357	—
Total Other State Revenues		1,144,679	102,874	106,063	22,519
Other Local Revenues:					
County and District Taxes:					
Other Restricted & Voted Indebtedness Levies:					
Secured Roll	8611	—	—	—	—
Unsecured Roll	8612	—	—	—	—
Prior Years' Taxes	8613	—	—	—	—
Supplemental Taxes	8614	—	—	—	—
Community Redevelopment Funds not					
Subject to Revenue LCFF Deductions	8625	—	—	—	—
Penalties and Interest from Delinquent Non-LCFF Taxes	8629	—	—	—	—
Sales:					
Sale of Equipment/Supplies	8631	390	—	—	—
Food Service Sales	8634	—	—	—	7,765
Leases and Rentals	8650	20,570	—	—	—
Interest	8660	7,229	105	38	97
Net Increase (Decrease) in the Fair Value of Investments	8662	—	—	—	—
Fees and Contracts:					
Adult Education Fees	8671	—	335	—	—
Non-Resident Students	8672	509	—	—	—
Child Development Parent Fees	8673	—	—	3,369	—
In-District Premiums/Contributions	8674	—	—	—	—
Interagency Service Fees	8677	84	—	737	—

Funds	District Bonds Funds					
	Building Account – Bond Proceeds	Building Account – Measure Y	Building Account – Measure R	Building Account – Measure K	Building Account – Measure Q	Total
\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
—	—	—	—	—	—	—
—	—	—	—	—	—	—
22,519	—	—	—	—	—	—
—	—	—	—	—	—	—
—	—	—	—	—	—	—
—	—	—	—	—	—	—
—	—	—	—	—	—	—
95,187	—	—	—	—	—	—
—	—	—	—	—	—	—
—	—	—	—	—	—	—
—	—	—	—	—	—	—
—	—	—	—	—	—	—
103,706	—	—	—	—	—	—
10,044	—	—	—	—	—	—
231,456	—	—	—	—	—	—
—	—	—	—	—	—	—
—	—	—	—	—	—	—
—	—	—	—	—	—	—
—	—	—	—	—	—	—
—	—	—	—	—	—	—
—	—	—	—	—	—	—
—	—	—	—	—	—	—
7,765	—	—	—	—	—	—
—	—	—	—	—	—	—
240	146	721	2,319	1,668	1,197	6,051
—	—	—	—	—	—	—
—	—	—	—	—	—	—
335	—	—	—	—	—	—
—	—	—	—	—	—	—
3,369	—	—	—	—	—	—
—	—	—	—	—	—	—
737	—	—	—	—	—	—

(Continued)

LOS ANGELES UNIFIED SCHOOL DISTRICT
All Funds
Schedule of Revenues and Other Financing Sources (Continued)
Year Ended June 30, 2016
(in thousands)

		Capital Projects			
		SACS Object Code	Capital Facilities	State School Building Lease – Purchase	Special Reserve CRA
Other State Revenues:					
Spec. Ed. Master Plan:					
Current Year	8311	\$	—	\$	—
Prior Years	8319		—	—	—
All Other State Apportionments – Current Year	8311		—	—	—
Child Nutrition Programs	8520		—	—	—
School Facilities Apportionments	8545		—	—	—
Mandated Costs Reimbursements	8550		—	—	—
Lottery – Unrestricted and Instructional Materials	8560		—	—	—
Voted Indebtedness Levies Homeowners' Exemptions	8571		—	—	—
Adult Education Block Grant	8590		—	—	—
After School Education and Safety (ASES)	8590		—	—	—
Drug/Alcohol/Tobacco Funds	8590		—	—	—
California Clean Energy Act	8590		—	—	—
Specialized Secondary	8590		—	—	—
State Preschool	8590		—	—	—
All Other State Revenue	8590		—	85	—
Total Other State Revenues			—	85	—
Other Local Revenues:					
County and District Taxes:					
Other Restricted & Voted Indebtedness Levies:					
Secured Roll	8611		—	—	—
Unsecured Roll	8612		—	—	—
Prior Years' Taxes	8613		—	—	—
Supplemental Taxes	8614		—	—	—
Community Redevelopment Funds not					
Subject to Revenue LCFF Deductions	8625		—	—	24,866
Penalties and Interest from Delinquent Non-LCFF Taxes	8629		—	—	—
Sales:					
Sale of Equipment/Supplies	8631		—	—	—
Food Service Sales	8634		—	—	—
Leases and Rentals	8650		—	—	—
Interest	8660		1,440	95	665
Net Increase (Decrease) in the Fair Value of Investments	8662		—	—	—
Fees and Contracts:					
Adult Education Fees	8671		—	—	—
Non-Resident Students	8672		—	—	—
Child Development Parent Fees	8673		—	—	—
In-District Premiums/Contributions	8674		—	—	—
Interagency Service Fees	8677		—	—	—

Funds					Debt Service Funds			
Special Reserve FEMA	Special Reserve Hazard Mitigation	Building	County School Facilities Bonds	Total	Bond Interest and Redemption	Tax Override	Capital Services	Total
\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—
—	—	—	44,076	44,076	—	—	—	—
—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—
—	—	—	—	—	3,823	—	—	3,823
—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—
—	—	—	—	85	—	—	—	—
—	—	—	44,076	44,161	3,823	—	—	3,823
—	—	—	—	—	—	—	—	—
—	—	—	—	—	686,869	—	—	686,869
—	—	—	—	—	32,910	—	—	32,910
—	—	—	—	—	14,292	—	—	14,292
—	—	—	—	—	24,589	—	—	24,589
—	—	—	—	24,866	—	—	—	—
—	—	—	—	—	3,606	—	—	3,606
—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—
—	—	374	—	374	—	—	—	—
53	16	66	3,429	6,214	2,851	3	265	3,119
—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—

(Continued)

LOS ANGELES UNIFIED SCHOOL DISTRICT
All Funds
Schedule of Revenues and Other Financing Sources (Continued)
Year Ended June 30, 2016
(in thousands)

	SACS Object Code	Internal Service Funds		
		Health and Welfare Benefits	Workers' Compensation Self-Insurance	Liability Self-Insurance
Other State Revenues:				
Spec. Ed. Master Plan:				
Current Year	8311	\$ —	\$ —	\$ —
Prior Years	8319	—	—	—
All Other State Apportionments – Current Year	8311	—	—	—
Child Nutrition Programs	8520	—	—	—
School Facilities Apportionments	8545	—	—	—
Mandated Costs Reimbursements	8550	—	—	—
Lottery – Unrestricted and Instructional Materials	8560	—	—	—
Voted Indebtedness Levies Homeowners' Exemptions	8571	—	—	—
Adult Education Block Grant	8590	—	—	—
After School Education and Safety (ASES)	8590	—	—	—
Drug/Alcohol/Tobacco Funds	8590	—	—	—
California Clean Energy Act	8590	—	—	—
Specialized Secondary	8590	—	—	—
State Preschool	8590	—	—	—
All Other State Revenue	8590	—	—	—
Total Other State Revenues		—	—	—
Other Local Revenues:				
County and District Taxes:				
Other Restricted & Voted Indebtedness Levies:				
Secured Roll	8611	—	—	—
Unsecured Roll	8612	—	—	—
Prior Years' Taxes	8613	—	—	—
Supplemental Taxes	8614	—	—	—
Community Redevelopment Funds not				
Subject to Revenue LCFF Deductions	8625	—	—	—
Penalties and Interest from Delinquent Non-LCFF Taxes	8629	—	—	—
Sales:				
Sale of Equipment/Supplies	8631	—	—	—
Food Service Sales	8634	—	—	—
Leases and Rentals	8650	—	—	—
Interest	8660	2,771	3,925	566
Net Increase (Decrease) in the Fair Value of Investments	8662	—	—	—
Fees and Contracts:				
Adult Education Fees	8671	—	—	—
Non-Resident Students	8672	—	—	—
Child Development Parent Fees	8673	—	—	—
In-District Premiums/Contributions	8674	1,017,482	124,913	174,139
Interagency Service Fees	8677	—	—	—

		OPEB Trust Fund	
Total			Total
\$	—	\$	—
	—		362,331
	—		7,787
	—		3,086
	—		22,519
	—		44,076
	—		291,721
	—		105,294
	—		3,823
	—		95,187
	—		77,991
	—		1,226
	—		23,106
	—		444
	—		103,706
	—		281,822
	—		1,424,119

—	—	686,869
—	—	32,910
—	—	14,292
—	—	24,589
—	—	24,866
—	—	3,606
—	—	390
—	—	7,765
—	—	20,944
7,262	—	30,115
—	4,187	4,187
—	—	335
—	—	509
—	—	3,369
1,316,534	51,000	1,367,534
—	—	821

(Continued)

LOS ANGELES UNIFIED SCHOOL DISTRICT
All Funds
Schedule of Revenues and Other Financing Sources (Continued)
Year Ended June 30, 2016
(in thousands)

		Special Revenue			
	SACS Object Code	General Fund	Adult Education	Child Development	Cafeteria
Mitigation/Developer Fees	8681	\$ —	\$ —	\$ —	\$ —
All Other Fees and Contracts	8689	40,233	—	13	—
All Other Local Revenue	8699	72,108	442	2,623	15
Tuition	8710	39	—	—	—
Total Other Local Revenues		<u>141,162</u>	<u>882</u>	<u>6,780</u>	<u>7,877</u>
Subtotal – Revenues		<u>7,161,449</u>	<u>117,903</u>	<u>116,427</u>	<u>352,683</u>
Other Financing Sources:					
Interfund Transfers In:					
From General Fund to Child Development Fund	8911	—	—	29,944	—
From Special Reserve Fund	8912	30,000	—	—	—
County School Facilities Bonds Fund	8913	—	—	—	—
From General Fund to Cafeteria Fund	8916	—	—	—	21,657
Other Authorized Interfund Transfer In	8919	21,209	905	—	35
Subtotal, Interfund Transfers In		<u>51,209</u>	<u>905</u>	<u>29,944</u>	<u>21,692</u>
Other Sources:					
Proceeds from Sale of Bonds	8951	—	—	—	—
Proceeds from Sale/Lease-Purchase of Lands/Buildings	8953	673	—	—	—
Proceeds from Capital Leases	8972	196	—	—	—
All Other Financing Sources	8979	—	—	—	—
Subtotal, Other Sources		<u>869</u>	<u>—</u>	<u>—</u>	<u>—</u>
Total Other Financing Sources		<u>52,078</u>	<u>905</u>	<u>29,944</u>	<u>21,692</u>
Total Revenues and Other Financing Sources		<u>\$ 7,213,527</u>	<u>\$ 118,808</u>	<u>\$ 146,371</u>	<u>\$ 374,375</u>

Funds	District Bonds Funds					
	Building Account – Bond Proceeds	Building Account – Measure Y	Building Account – Measure R	Building Account – Measure K	Building Account – Measure Q	Total
Total						
\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
13	—	—	—	—	—	—
3,080	1,620	10	8,854	810	—	11,294
—	—	—	—	—	—	—
15,539	1,766	731	11,173	2,478	1,197	17,345
587,013	1,766	731	11,173	2,478	1,197	17,345
29,944	—	—	—	—	—	—
—	—	—	—	—	—	—
—	—	—	—	—	—	—
21,657	—	—	—	—	—	—
940	45	34,739	23,993	26,899	—	85,676
52,541	45	34,739	23,993	26,899	—	85,676
—	—	—	—	—	648,955	648,955
—	—	—	—	—	—	—
—	—	—	—	—	—	—
—	—	—	—	—	—	—
—	—	—	—	—	648,955	648,955
52,541	45	34,739	23,993	26,899	648,955	734,631
\$ 639,554	\$ 1,811	\$ 35,470	\$ 35,166	\$ 29,377	\$ 650,152	\$ 751,976

(Continued)

LOS ANGELES UNIFIED SCHOOL DISTRICT
All Funds
Schedule of Revenues and Other Financing Sources (Continued)
Year Ended June 30, 2016
(in thousands)

		Capital Projects			
		State School			
	SACS Object Code	Capital Facilities	Building Lease – Purchase	Special Reserve	Special Reserve CRA
Mitigation/Developer Fees	8681	\$ 75,498	\$ —	\$ —	\$ —
All Other Fees and Contracts	8689	—	—	—	—
All Other Local Revenue	8699	—	—	15,599	—
Tuition	8710	—	—	—	—
Total Other Local Revenues		<u>76,938</u>	<u>95</u>	<u>16,264</u>	<u>25,316</u>
Subtotal – Revenues		<u>76,938</u>	<u>95</u>	<u>16,377</u>	<u>25,316</u>
Other Financing Sources:					
Interfund Transfers In:					
From General Fund to Child Development Fund	8911	—	—	—	—
From Special Reserve Fund	8912	—	—	—	—
County School Facilities Bonds Fund	8913	—	—	—	—
From General Fund to Cafeteria Fund	8916	—	—	—	—
Other Authorized Interfund Transfer In	8919	247	—	2,853	4
Subtotal, Interfund Transfers In		<u>247</u>	<u>—</u>	<u>2,853</u>	<u>4</u>
Other Sources:					
Proceeds from Sale of Bonds	8951	—	—	—	—
Proceeds from Sale/Lease-Purchase of Lands/Buildings	8953	—	—	—	—
Proceeds from Capital Leases	8972	—	—	—	—
All Other Financing Sources	8979	—	—	—	—
Subtotal, Other Sources		<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Total Other Financing Sources		<u>247</u>	<u>—</u>	<u>2,853</u>	<u>4</u>
Total Revenues and Other Financing Sources		<u>\$ 77,185</u>	<u>\$ 95</u>	<u>\$ 19,230</u>	<u>\$ 25,320</u>

Funds					Debt Service Funds			
Special Reserve FEMA	Special Reserve Hazard Mitigation	Building	County School Facilities Bonds	Total	Bond Interest and Redemption	Tax Override	Capital Services	Total
\$ —	\$ —	\$ —	\$ —	\$ 75,498	\$ —	\$ —	\$ —	\$ —
—	—	—	—	—	—	—	—	—
—	—	—	—	15,599	108	—	—	108
—	—	—	—	—	—	—	—	—
53	16	440	3,429	122,551	765,225	3	265	765,493
53	16	440	47,505	166,740	837,601	3	838	838,442
—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—
—	—	—	2,077	2,077	—	—	—	—
—	—	—	—	—	—	—	—	—
—	—	—	—	3,104	—	—	43,298	43,298
—	—	—	2,077	5,181	—	—	43,298	43,298
—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—
—	—	—	—	—	760,589	—	—	760,589
—	—	—	—	—	760,589	—	—	760,589
—	—	—	2,077	5,181	760,589	—	43,298	803,887
\$ 53	\$ 16	\$ 440	\$ 49,582	\$ 171,921	\$ 1,598,190	\$ 3	\$ 44,136	\$ 1,642,329

(Continued)

LOS ANGELES UNIFIED SCHOOL DISTRICT
All Funds
Schedule of Revenues and Other Financing Sources (Continued)
Year Ended June 30, 2016
(in thousands)

		Internal Service Funds		
	SACS Object Code	Health and Welfare Benefits	Workers' Compensation Self-Insurance	Liability Self-Insurance
Mitigation/Developer Fees	8681	\$ —	\$ —	\$ —
All Other Fees and Contracts	8689	—	—	—
All Other Local Revenue	8699	1,353	—	—
Tuition	8710	—	—	—
Total Other Local Revenues		<u>1,021,606</u>	<u>128,838</u>	<u>174,705</u>
Subtotal – Revenues		<u>1,021,606</u>	<u>128,838</u>	<u>174,705</u>
Other Financing Sources:				
Interfund Transfers In:				
From General Fund to Child Development Fund	8911	—	—	—
From Special Reserve Fund	8912	—	—	—
County School Facilities Bonds Fund	8913	—	—	—
From General Fund to Cafeteria Fund	8916	—	—	—
Other Authorized Interfund Transfer In	8919	4,290	—	—
Subtotal, Interfund Transfers In		<u>4,290</u>	<u>—</u>	<u>—</u>
Other Sources:				
Proceeds from Sale of Bonds	8951	—	—	—
Proceeds from Sale/Lease-Purchase of Lands/Buildings	8953	—	—	—
Proceeds from Capital Leases	8972	—	—	—
All Other Financing Sources	8979	—	—	—
Subtotal, Other Sources		<u>—</u>	<u>—</u>	<u>—</u>
Total Other Financing Sources		<u>4,290</u>	<u>—</u>	<u>—</u>
Total Revenues and Other Financing Sources		<u>\$ 1,025,896</u>	<u>\$ 128,838</u>	<u>\$ 174,705</u>

Total	OPEB Trust Fund	Total
\$ —	\$ —	\$ 75,498
—	—	40,246
1,353	—	103,542
—	—	39
1,325,149	55,187	2,442,426
1,325,149	55,187	10,151,325
—	—	29,944
—	—	30,000
—	—	2,077
—	—	21,657
4,290	—	158,517
4,290	—	242,195
—	—	648,955
—	—	673
—	—	196
—	—	760,589
—	—	1,410,413
4,290	—	1,652,608
<u>\$ 1,329,439</u>	<u>\$ 55,187</u>	<u>\$ 11,803,933</u>

LOS ANGELES UNIFIED SCHOOL DISTRICT

Organization Structure

Year Ended June 30, 2016

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 virtually all 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 four-year terms. These terms were extended to five years for members elected in 2015 and thereafter.

Name	Expiration of Term
Steven Zimmer, President	June 30, 2017
George McKenna	December 13, 2020
Mónica García	June 30, 2017
Scott Schmerelson	December 13, 2020
Ref Rodriguez	December 13, 2020
Mónica Ratliff	June 30, 2017
Richard Vladovic	December 13, 2020

Name	Title
Michelle King	Superintendent of Schools (effective Jan 12, 2016)
Ramon C. Cortines	Superintendent of Schools (October 20, 2014 to January 1, 2016)
Frances Gipson	Chief Academic Officer (effective November 18, 2015)
Ruth Perez	Deputy Superintendent of Instruction (resigned effective January 2, 2016)
Thelma Melendez	Chief Executive Officer, Educational Services
Diane Pappas	Chief Executive Officer, Project Management & Innovation
Earl Perkins	Associate Superintendent District Operations (effective July 1, 2016)
Megan Reilly	Chief Financial Officer
Mark Hovatter	Chief Facilities Executive
Jose Cantu/Marjorie Josaphat	Interim Chief Human Resources Officer
Justo Avila	Chief Human Resources Officer (retired effective July 1, 2016)
Shahryar Khazei	Chief Information Officer
George Silva	Chief Procurement Officer
Kenneth Bramlett	Inspector General
David Holmquist	General Counsel
Steven Zipperman	Chief of Police
Karla Gould	Personnel Director (effective August 18, 2015)
Janalyn Glymph	Personnel Director (retired effective August 18, 2015)

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)	2012-2013	2013-2014	2014-2015	2015-2016
Elementary Schools	456	457	455	451
Middle/Junior High Schools	86	83	84	83
Senior High Schools	106	100	96	97
Options Schools	56	55	55	54
Special Education Schools	16	15	15	15
Magnet Schools	28	34	39	43
Magnet Centers	145	148	152	156
Community Adult Schools	6	6	6	2
Regional Occupational Centers	3	3	3	6
Skills Centers	1	1	1	2
Regional Occupational Program	1	1	1	1
Early Education Centers	82	86	86	86
Infant Centers	4	4	4	4
Primary School Centers	18	18	18	18
Multi-level Schools	21	22	20	23
Total Schools and Centers	1,029	1,033	1,035	1,041
Independent Charter Schools	185	196	211	221

See accompanying independent auditor's report.

LOS ANGELES UNIFIED SCHOOL DISTRICT
Schedule of Average Daily Attendance/Hours of Attendance
Year Ended June 30, 2016

	Second Period Report	Annual Report	Audited Second Period Report	Audited Annual Report
District				
K-3	158,975.03	159,034.61	158,933.68 *	158,994.82 *
Grades 4-6	111,399.63	111,528.46	111,399.63	111,528.46
Grades 7-8	65,449.85	65,591.77	65,449.85	65,591.77
Grades 9-12	127,523.00	126,932.24	127,523.00	126,932.24
Total District	<u>463,347.51</u>	<u>463,087.08</u>	<u>463,306.16</u>	<u>463,047.29</u>
County				
K-3	0.00	0.00	0.00	0.00
Grades 4-6	1.41	1.23	1.41	1.23
Grades 7-8	2.27	3.18	2.27	3.18
Grades 9-12	485.89	489.84	485.89	489.84
Total County	<u>489.57</u>	<u>494.25</u>	<u>489.57</u>	<u>494.25</u>
Affiliated Charter Schools				
K-3	15,861.71	15,866.33	15,860.35 *	15,865.07 *
Grades 4-6	10,562.79	10,545.58	10,562.79	10,545.58
Grades 7-8	6,023.32	6,000.47	6,023.32	6,000.47
Grades 9-12	7,306.03	7,219.75	7,306.03	7,219.75
Total Affiliated Charter Schools	<u>39,753.85</u>	<u>39,632.13</u>	<u>39,752.49</u>	<u>39,630.87</u>
Total Average Daily Attendance	<u>503,590.93</u>	<u>503,213.46</u>	<u>503,548.22</u>	<u>503,172.41</u>

* Adjustments based on findings S-2016-007

See accompanying independent auditor's report.

LOS ANGELES UNIFIED SCHOOL DISTRICT
Schedule of Average Daily Attendance – Affiliated Charter Schools
Year Ended June 30, 2016

		TK/K to Grade 3 ADA			
Name of Affiliated Charter School	CDS Code	Total		Classroom-based	
		Second Period Report	Annual Report	Second Period Report	Annual Report
1 Alexander (Dr. Theodore, Jr.) Science Center	19 64733 0102491	433.35	432.27	433.35	432.27
2 Beckford Charter for Enriched Studies	19 64733 6015986	390.59	389.81	390.59	389.81
3 Calabash Charter Academy	19 64733 6016240	281.35	280.35	281.35	280.35
4 Calahan Community Charter	19 64733 6016257	368.98	369.04	368.98	369.04
5 Calvert Charter for Enriched Studies	19 64733 6016265	246.51	245.48	246.51	245.48
6 Canyon Charter Elementary School	19 64733 6016323	260.16	259.89	260.16	259.89
7 Carpenter Community Charter School	19 64733 6016356	661.82	663.52	661.82	663.52
8 Castlebay Lane Elementary School	19 64733 6071435	486.31	478.42	486.31	478.42
9 Chandler Learning Academy	19 64733 6016422	318.11	317.78	318.11	317.78
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	431.12	429.66	431.12	429.66
13 Community Magnet Charter Elementary School	19 64733 6094726	264.62	266.10	264.62	266.10
14 Darby Avenue Charter	19 64733 6016703	323.33	323.80	323.33	323.80
15 Dearborn Elementary Charter Academy	19 64733 6016729	336.58	336.95	336.58	336.95
16 Dixie Canyon Community Charter School	19 64733 6016778	501.06	507.22	501.06	507.22
17 El Oro Way Charter For Enriched Studies	19 64733 6016869	314.88	315.15	314.88	315.15
18 Emelita Academy Charter	19 64733 6016901	262.68	263.99	262.68	263.99
19 Emerson Community Charter	19 64733 6057988	0.00	0.00	0.00	0.00
20 Enadia Technology Enriched Charter	19 64733 0117036	157.86	157.56	157.86	157.56
21 Encino Charter Elementary School	19 64733 6016935	362.44	364.19	362.44	364.19
22 Germain Academy for Academic Achievement	19 64733 6017263	333.58	332.40	333.58	332.40
23 Granada Elementary Community Charter	19 64733 6017339	287.36	287.52	287.36	287.52
24 Hale (George Ellery) Charter Academy	19 64733 6061477	0.00	0.00	0.00	0.00
25 Hamlin Charter Academy	19 64733 6017438	274.11	273.93	274.11	273.93
26 Haynes Charter For Enriched Studies	19 64733 6017529	269.00	268.68	269.00	268.68
27 Hesby Oaks Leadership Charter	19 64733 0112060	200.80	201.91	200.80	201.91
28 Justice Street Academy Charter School	19 64733 6017693	258.80	258.40	258.80	258.40
29 Kenter Canyon Elementary Charter	19 64733 6017701	354.72	356.78	354.72	356.78
30 Knollwood Preparatory Academy	19 64733 6017743	297.36	297.86	297.36	297.86
31 Lockhurst Drive Charter Elementary	19 64733 6017891	270.91	271.31	270.91	271.31
32 Marquez Charter School	19 64733 6018063	350.80	353.50	350.80	353.50
33 Millikan (Robert A.) Middle School, Performing Arts Magnet and Science Academy STEM School	19 64733 6058150	0.00	0.00	0.00	0.00
34 Nestle Avenue Charter School	19 64733 6018287	373.56	374.90	373.56	374.90
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	254.30	254.00	254.30	254.00
37 Palisades Charter Elementary	19 64733 6018634	327.67	327.27	327.67	327.27
38 Plainview Academic Charter Academy	19 64733 6018725	210.59	211.42	210.59	211.42
39 Pomelo Community Charter School	19 64733 6018774	412.09	411.11	412.09	411.11
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	423.16	426.52	423.16	426.52
42 Serrania Avenue Charter School for Enriched Studies	19 64733 6019111	433.33	433.17	433.33	433.17
43 Sherman Oaks Elementary Charter School	19 64733 6019186	597.66	597.03	597.66	597.03
44 Superior Street Elementary	19 64733 6019392	335.46	335.42	335.46	335.42
45 Taft Charter High School	19 64733 1938612	0.00	0.00	0.00	0.00
46 Topanga Elementary Charter School	19 64733 6019525	200.52	199.31	200.52	199.31
47 Topeka Charter School For Advanced Studies	19 64733 6019533	389.37	389.37	389.37	389.37
48 Van Gogh Charter School	19 64733 6019673	311.90	312.02	311.90	312.02
49 Welby Way Charter Elementary and Gifted–High Ability Magnet	19 64733 6019855	470.89	471.11	470.89	471.11
50 Westwood Charter Elementary School	19 64733 6019939	577.39	577.66	577.39	577.66
51 Wilbur Charter For Enriched Academics	19 64733 6019954	443.93	444.06	443.93	444.06
52 Woodlake Elementary Community Charter	19 64733 6020036	328.48	326.90	328.48	326.90
53 Woodland Hills Elementary Charter For Enriched Studies	19 64733 6020044	472.22	471.59	472.22	471.59
Total Affiliated Charter Schools Average Daily Attendance		15,861.71	15,866.33	15,861.71	15,866.33

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
185.92	185.23	185.92	185.23	0.00	0.00	0.00	0.00
205.36	204.90	205.36	204.90	0.00	0.00	0.00	0.00
139.70	138.99	139.70	138.99	0.00	0.00	0.00	0.00
176.35	177.08	176.35	177.08	0.00	0.00	0.00	0.00
115.06	114.49	115.06	114.49	0.00	0.00	0.00	0.00
122.95	123.20	122.95	123.20	0.00	0.00	0.00	0.00
251.37	251.66	251.37	251.66	0.00	0.00	0.00	0.00
218.61	216.56	218.61	216.56	0.00	0.00	0.00	0.00
127.86	128.50	127.86	128.50	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
219.99	220.35	219.99	220.35	0.00	0.00	0.00	0.00
183.11	183.64	183.11	183.64	0.00	0.00	0.00	0.00
168.38	168.19	168.38	168.19	0.00	0.00	0.00	0.00
163.60	163.36	163.60	163.36	0.00	0.00	0.00	0.00
198.40	199.06	198.40	199.06	0.00	0.00	0.00	0.00
174.86	174.95	174.86	174.95	0.00	0.00	0.00	0.00
119.36	118.48	119.36	118.48	0.00	0.00	0.00	0.00
231.61	229.53	231.61	229.53	345.64	344.47	345.64	344.47
80.14	80.41	80.14	80.41	0.00	0.00	0.00	0.00
178.18	177.93	178.18	177.93	0.00	0.00	0.00	0.00
141.54	140.98	141.54	140.98	0.00	0.00	0.00	0.00
150.33	149.38	150.33	149.38	0.00	0.00	0.00	0.00
628.89	626.07	628.89	626.07	1,285.69	1,278.73	1,285.69	1,278.73
131.61	132.17	131.61	132.17	0.00	0.00	0.00	0.00
133.56	133.51	133.56	133.51	0.00	0.00	0.00	0.00
192.77	192.64	192.77	192.64	129.54	128.37	129.54	128.37
118.97	118.94	118.97	118.94	0.00	0.00	0.00	0.00
172.86	173.50	172.86	173.50	0.00	0.00	0.00	0.00
112.24	111.75	112.24	111.75	0.00	0.00	0.00	0.00
107.40	107.72	107.40	107.72	0.00	0.00	0.00	0.00
168.37	169.51	168.37	169.51	0.00	0.00	0.00	0.00
679.35	677.66	679.35	677.66	1,322.23	1,316.89	1,322.23	1,316.89
173.78	173.94	173.78	173.94	0.00	0.00	0.00	0.00
740.00	738.11	740.00	738.11	1,597.51	1,595.61	1,597.51	1,595.61
139.19	139.16	139.19	139.16	0.00	0.00	0.00	0.00
175.75	174.91	175.75	174.91	0.00	0.00	0.00	0.00
108.46	108.40	108.46	108.40	0.00	0.00	0.00	0.00
205.54	205.76	205.54	205.76	0.00	0.00	0.00	0.00
674.36	671.58	674.36	671.58	1,342.71	1,336.40	1,342.71	1,336.40
176.56	176.32	176.56	176.32	0.00	0.00	0.00	0.00
199.25	199.66	199.25	199.66	0.00	0.00	0.00	0.00
221.47	221.15	221.47	221.15	0.00	0.00	0.00	0.00
199.14	199.17	199.14	199.17	0.00	0.00	0.00	0.00
0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
77.89	77.04	77.89	77.04	0.00	0.00	0.00	0.00
157.94	156.79	157.94	156.79	0.00	0.00	0.00	0.00
185.24	185.19	185.24	185.19	0.00	0.00	0.00	0.00
321.71	321.83	321.71	321.83	0.00	0.00	0.00	0.00
240.21	239.56	240.21	239.56	0.00	0.00	0.00	0.00
196.66	196.16	196.66	196.16	0.00	0.00	0.00	0.00
152.04	151.56	152.04	151.56	0.00	0.00	0.00	0.00
218.90	218.95	218.90	218.95	0.00	0.00	0.00	0.00
10,562.79	10,545.58	10,562.79	10,545.58	6,023.32	6,000.47	6,023.32	6,000.47

(Continued)

LOS ANGELES UNIFIED SCHOOL DISTRICT
Schedule of Average Daily Attendance – Affiliated Charter Schools (Continued)
Year Ended June 30, 2016

			Grades 9-12 ADA			
Name of Affiliated Charter School		CDS Code	Total		Classroom-based	
			Second Period Report	Annual Report	Second Period Report	Annual Report
1	Alexander (Dr. Theodore, Jr.) Science Center	19 64733 0102491	0.00	0.00	0.00	0.00
2	Beckford Charter for Enriched Studies	19 64733 6015986	0.00	0.00	0.00	0.00
3	Calabash Charter Academy	19 64733 6016240	0.00	0.00	0.00	0.00
4	Calahan Community Charter	19 64733 6016257	0.00	0.00	0.00	0.00
5	Calvert Charter for Enriched Studies	19 64733 6016265	0.00	0.00	0.00	0.00
6	Canyon Charter Elementary School	19 64733 6016323	0.00	0.00	0.00	0.00
7	Carpenter Community Charter School	19 64733 6016356	0.00	0.00	0.00	0.00
8	Castlebay Lane Elementary School	19 64733 6071435	0.00	0.00	0.00	0.00
9	Chandler Learning Academy	19 64733 6016422	0.00	0.00	0.00	0.00
10	Chatsworth Charter High School	19 64733 1931708	1,898.91	1,872.63	1,898.91	1,872.63
11	Cleveland (Grover) Charter High School	19 64733 1931864	3,079.83	3,045.89	3,079.83	3,045.89
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.) Middle School, Performing Arts Magnet and Science Academy STEM 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	Taft Charter High School	19 64733 1938612	2,327.29	2,301.23	2,327.29	2,301.23
46	Topanga Elementary Charter School	19 64733 6019525	0.00	0.00	0.00	0.00
47	Topeka Charter School For Advanced Studies	19 64733 6019533	0.00	0.00	0.00	0.00
48	Van Gogh Charter School	19 64733 6019673	0.00	0.00	0.00	0.00
49	Welby Way Charter Elementary and Gifted-High Ability Magnet	19 64733 6019855	0.00	0.00	0.00	0.00
50	Westwood Charter Elementary School	19 64733 6019939	0.00	0.00	0.00	0.00
51	Wilbur Charter For Enriched Academics	19 64733 6019954	0.00	0.00	0.00	0.00
52	Woodlake Elementary Community Charter	19 64733 6020036	0.00	0.00	0.00	0.00
53	Woodland Hills Elementary Charter For Enriched Studies	19 64733 6020044	0.00	0.00	0.00	0.00
Total Affiliated Charter Schools Average Daily Attendance			7,306.03	7,219.75	7,306.03	7,219.75

See accompanying independent auditor's report.

Totals

Total ADA		Classroom-based ADA	
Second Period Report	Annual Report	Second Period Report	Annual Report
619.27	617.50	619.27	617.50
595.95	594.71	595.95	594.71
421.05	419.34	421.05	419.34
545.33	546.12	545.33	546.12
361.57	359.97	361.57	359.97
383.11	383.09	383.11	383.09
913.19	915.18	913.19	915.18
704.92	694.98	704.92	694.98
445.97	446.28	445.97	446.28
1,898.91	1,872.63	1,898.91	1,872.63
3,079.83	3,045.89	3,079.83	3,045.89
651.11	650.01	651.11	650.01
447.73	449.74	447.73	449.74
491.71	491.99	491.71	491.99
500.18	500.31	500.18	500.31
699.46	706.28	699.46	706.28
489.74	490.10	489.74	490.10
382.04	382.47	382.04	382.47
577.25	574.00	577.25	574.00
238.00	237.97	238.00	237.97
540.62	542.12	540.62	542.12
475.12	473.38	475.12	473.38
437.69	436.90	437.69	436.90
1,914.58	1,904.80	1,914.58	1,904.80
405.72	406.10	405.72	406.10
402.56	402.19	402.56	402.19
523.11	522.92	523.11	522.92
377.77	377.34	377.77	377.34
527.58	530.28	527.58	530.28
409.60	409.61	409.60	409.61
378.31	379.03	378.31	379.03
519.17	523.01	519.17	523.01
-	-	-	-
2,001.58	1,994.55	2,001.58	1,994.55
547.34	548.84	547.34	548.84
2,337.51	2,333.72	2,337.51	2,333.72
393.49	393.16	393.49	393.16
503.42	502.18	503.42	502.18
319.05	319.82	319.05	319.82
617.63	616.87	617.63	616.87
2,017.07	2,007.98	2,017.07	2,007.98
599.72	602.84	599.72	602.84
632.58	632.83	632.58	632.83
819.13	818.18	819.13	818.18
534.60	534.59	534.60	534.59
2,327.29	2,301.23	2,327.29	2,301.23
278.41	276.35	278.41	276.35
547.31	546.16	547.31	546.16
497.14	497.21	497.14	497.21
792.60	792.94	792.60	792.94
817.60	817.22	817.60	817.22
640.59	640.22	640.59	640.22
480.52	478.46	480.52	478.46
691.12	690.54	691.12	690.54
<u>39,753.85</u>	<u>39,632.13</u>	<u>39,753.85</u>	<u>39,632.13</u>

LOS ANGELES UNIFIED SCHOOL DISTRICT
Schedule of Instructional Time Offered
Year Ended June 30, 2016

Grade Level	1982-1983 Actual Minutes Offered	1986-1987 Minutes Requirements	2015-16 Actual Minutes Offered ⁽⁴⁾	Number of Days Traditional Calendar ⁽⁴⁾	Number of Days Multi-track Calendar ^(3, 4)	Complied with Instructional Minutes and Days Provisions
Kindergarten	31,680	36,000	36,000	179	N/A	Yes
Grades 1 to 3	48,800	50,400	55,100	179	N/A	Yes
Grades 4 to 6 ⁽¹⁾	48,800	54,000	55,100	179	N/A	Yes
Grades 7 to 8 ⁽²⁾	62,160	54,000	62,160 or 65,300	179	N/A	Yes
Grades 9 to 12	62,160	64,800	65,300	179	179	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.
- (4) CDE's approval of LAUSD's J13-A Request for Allowance of Attendance for the December 15, 2015 emergency closure of schools district-wide allows the District to use the closure day to meet the instructional time requirements pursuant to California Education Code (EC) sections 46200, 46201, 46207, and/or 46208.

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 state compliance information.

LOS ANGELES UNIFIED SCHOOL DISTRICT
Schedule of Financial Trends and Analysis
Year Ended June 30, 2016
(Dollars in thousands)

	2016-2017 Budgeted	2015-2016 Actual	2014-2015 Actual	2013-2014 Actual	2012-2013 Actual
General Fund:					
Revenues	\$ 7,219,596	\$ 7,161,449	\$ 6,420,069	\$ 5,853,648	\$ 5,671,594
Other Financing Sources	23,000	52,078	32,771	25,267	38,735
Total Revenues and Other Financing Sources	7,242,596	7,213,527	6,452,840	5,878,915	5,710,329
Expenditures	7,256,143	6,633,257	6,205,730	5,660,706	5,784,020
Other Financing Uses	84,159	89,895	127,554	110,676	158,402
Total Expenditures and Other Financing Uses	7,340,302	6,723,152	6,333,284	5,771,382	5,942,422
Change in Fund Balance	(97,706)	490,375	119,556	107,533	(232,093)
Beginning Fund Balance	1,128,412	819,806	700,250	592,717	824,810
Ending Fund Balance	\$ 1,030,706	\$ 1,310,181	\$ 819,806	\$ 700,250	\$ 592,717
Available Reserves*	\$ 156,334	\$ 319,373	\$ 254,210	\$ 151,257	\$ 65,376
Unassigned Reserve for Economic Uncertainties	\$ 73,411	\$ 72,376	\$ 65,376	\$ 65,376	\$ 65,376
Unassigned Fund Balance	\$ 82,923	\$ 246,997	\$ 188,834	\$ 85,881	\$ —
Available Reserves as a Percentage of Total Expenditures and Other Financing Uses	2.13%	4.75%	4.01%	2.62%	1.10%
Total Long-Term Debt	\$ 25,160,021	\$ 24,164,629	\$ 22,321,951	\$ 17,519,475	\$ 17,258,973
Average Daily Attendance (ADA) at P-2 excluding regional occupational centers programs and adult programs	498,951	503,591	517,856	528,598	536,449

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 year.

* Available reserves consist of all unassigned fund balances and unassigned reserve for economic uncertainties.

See accompanying notes to state compliance information.

LOS ANGELES UNIFIED SCHOOL DISTRICT
Schedule to Reconcile the Annual Financial Budget Report (SACS)
with Audited Financial Statements
Year Ended June 30, 2016
(in thousands)

	<u>General</u>
June 30, 2016 Unaudited Actual Financial Reports	
Fund Balances/Net Position	\$ 1,298,672
Adjustments:	
To adjust LCFF revenue due to increase in ADA	11,249
To increase lottery revenue due to adjustment in ADA	<u>260</u>
June 30, 2016 Audited Financial Statement	
Fund Balances/Net Position	<u>\$ 1,310,181</u>

There were no adjustments to fund balances for funds not presented above.

See accompanying notes to state compliance information.

LOS ANGELES UNIFIED SCHOOL DISTRICT
Charter Schools
Year Ended June 30, 2016

		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.) Middle School, Performing Arts Magnet and Science Academy STEM School	19 64733 6058150	x		Yes
34	Nestle Avenue Charter School	19 64733 6018287	x		Yes
35	Nobel (Alfred 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	Taft Charter High School	19 64733 1938612	x		Yes
46	Topanga Elementary Charter School	19 64733 6019525	x		Yes
47	Topeka Charter School For Advanced Studies	19 64733 6019533	x		Yes
48	Van Gogh Charter School	19 64733 6019673	x		Yes
49	Welby Way Charter Elementary and Gifted-High Ability Magnet	19 64733 6019855	x		Yes
50	Westwood Charter Elementary School	19 64733 6019939	x		Yes
51	Wilbur Charter For Enriched Academics	19 64733 6019954	x		Yes
52	Woodlake Elementary Community Charter	19 64733 6020036	x		Yes
53	Woodland Hills Elementary Charter For Enriched Studies	19 64733 6020044	x		Yes

(Continued)

LOS ANGELES UNIFIED SCHOOL DISTRICT
Charter Schools (Continued)
Year Ended June 30, 2016

		<u>CDS Code</u>	<u>Affiliated</u>	<u>Fiscally Independent</u>	<u>Included in the District Audit</u>
54	Academia Moderna	19 64733 0120097		x	No
55	Academic Performance Excellence Academy (APEX)	19 64733 0117077		x	No
56	Academy of Science and Engineering	19 64733 0126185		x	No
57	Accelerated Elementary School (ACES)	19 64733 0100743		x	No
58	Accelerated School, The	19 64733 6112536		x	No
59	Alain Leroy Locke College Preparatory Academy	19 64733 0118588		x	No
60	Alliance 6–12 College–Ready Academy 21	19 64733 0132084		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 Academy High School 16	19 64733 0123141		x	No
64	Alliance College–Ready Middle Academy 4	19 64733 0120030		x	No
65	Alliance College–Ready Middle Academy 5	19 64733 0120048		x	No
66	Alliance College–Ready Middle Academy 8	19 64733 0128033		x	No
67	Alliance College–Ready Middle Academy 12	19 64733 0128058		x	No
68	Alliance Collins Family College–Ready High School	19 64733 0108936		x	No
69	Alliance Dr. Olga Mohan High School	19 64733 0111500		x	No
70	Alliance Gertz–Ressler Richard Merkin 6–12 Complex	19 64733 0106864		x	No
71	Alliance Health Services Academy High School	19 64733 0117598		x	No
72	Alliance Jack H. Skirball Middle School	19 64733 0111518		x	No
73	Alliance Judy Ivie Burton Technology Academy High	19 64733 0108894		x	No
74	Alliance Kory Hunter Middle School	19 64733 0128041		x	No
75	Alliance Leadership Middle Academy	19 64733 0128009		x	No
76	Alliance Leichtman–Levine Family Foundation Environmental Science High	19 64733 0117606		x	No
77	Alliance Marc & Eva Stern Math & Science, California State University Los Angeles Campus	19 64733 0111658		x	No
78	Alliance Margaret M. Bloomfield Technology Academy	19 64733 0124941		x	No
79	Alliance Morgan McKinzie High	19 64733 0116509		x	No
80	Alliance Ouchi–O'Donovan 6–12 Complex	19 64733 0111641		x	No
81	Alliance Patti and Peter Neuwirth Leadership Academy	19 64733 0111492		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 Tennenbaum Family Technology High School *	19 64733 0121293		x	No
85	Animo College Preparatory Academy (Jordan Campus)	19 64733 0124883		x	No
86	Animo Ellen Ochoa Charter Middle School	19 64733 0123992		x	No
87	Animo Jackie Robinson	19 64733 0111583		x	No
88	Animo James B. Taylor Charter Middle School	19 64733 0124008		x	No
89	Animo Jefferson Charter Middle School	19 64733 0122481		x	No
90	Animo Mae Jemison Charter Middle School	19 64733 0129270		x	No
91	Animo Pat Brown High School	19 64733 0106849		x	No
92	Animo Phillis Wheatley Charter Middle School (Clay Campus)*	19 64733 0124024		x	No
93	Animo Ralph Bunche Charter High School	19 64733 0111575		x	No
94	Animo South Los Angeles Charter Senior High	19 64733 0102434		x	No
95	Animo Venice Charter High School	19 64733 0106831		x	No
96	Animo Watts College Preparatory Academy	19 64733 0111625		x	No
97	Animo Western Charter Middle School (Clay Campus) *	19 64733 0124016		x	No
98	Animo Westside Charter Middle School	19 64733 0122499		x	No
99	Apple Academy Charter Public Schools (AACPS)	19 64733 0126078		x	No
100	Ararat Charter School	19 64733 0121079		x	No
101	Arts in Action Community Charter School	19 64733 0123158		x	No
102	Aspire Centennial College Preparatory Academy	19 64733 0126797		x	No
103	Aspire Firestone Academy *	19 64733 0122622		x	No
104	Aspire Gateway Academy Charter*	19 64733 0122614		x	No
105	Aspire Inskeep Academy Charter*	19 64733 0124800		x	No
106	Aspire Juanita Tate Academy Charter*	19 64733 0124792		x	No

* PSC = Public School Choice

(Continued)

LOS ANGELES UNIFIED SCHOOL DISTRICT
Charter Schools (Continued)
Year Ended June 30, 2016

		CDS Code	Affiliated	Fiscally Independent	Included in the District Audit
107	Aspire Junior Collegiate Academy	19 64733 0114884		x	No
108	Aspire Pacific Academy	19 64733 0122721		x	No
109	Aspire Slauson Academy Charter*	19 64733 0124784		x	No
110	Aspire Titan Academy	19 64733 0120477		x	No
111	Bert Corona Charter School	19 64733 0106872		x	No
112	Birmingham Community Charter High School	19 64733 1931047		x	No
113	Bright Star Secondary Charter Academy	19 64733 0112508		x	No
114	Camino Nuevo Academy 2 (Harvard)	19 64733 0122861		x	No
115	Camino Nuevo Charter Academy	19 64733 6117667		x	No
116	Camino Nuevo Charter Academy 4 (Sandra Cisneros Campus) *	19 64733 0124826		x	No
117	Camino Nuevo Charter High School	19 64733 0106435		x	No
118	Camino Nuevo Elementary School 3 (Jose Castellanos Campus) *	19 64733 0122564		x	No
119	Camino Nuevo High School 2	19 64733 0127910		x	No
120	Celerity Cardinal Charter School	19 64733 0123984		x	No
121	Celerity Dyad Charter School	19 64733 0115766		x	No
122	Celerity Nascent Charter School	19 64733 0108910		x	No
123	Celerity Octavia Charter School	19 64733 0122655		x	No
124	Celerity Palmati Charter School	19 64733 0123166		x	No
125	Celerity Troika Charter School	19 64733 0115782		x	No
126	Center for Advanced Learning	19 64733 0115139		x	No
127	Central City Value High School	19 64733 0100800		x	No
128	Charter High School of Arts–Multimedia & Performing School (CHAMPS)	19 64733 0108878		x	No
129	Chime Institute's Schwarzenegger Community School	19 64733 6119531		x	No
130	Citizens of the World Charter 2 (Silver Lake)	19 64733 0126177		x	No
131	Citizens of the World Charter 3 (Mar Vista)	19 64733 0126193		x	No
132	Citizens of the World Charter Hollywood	19 64733 0122556		x	No
133	City High	19 64733 0132332		x	No
134	City Language Immersion Charter	19 64733 0127886		x	No
135	City School, The	19 64733 0126102		x	No
136	Clemente Charter School	19 64733 0129825		x	No
137	Collegiate Charter High School of Los Angeles	19 64733 0131821		x	No
138	Community Preparatory Academy	19 64733 0129874		x	No
139	Crenshaw Arts–Technology Charter High School (CATCH)	19 64733 0101659		x	No
140	Crown Preparatory Academy	19 64733 0121848		x	No
141	Discovery Charter Preparatory School 2	19 64733 0115253		x	No
142	Downtown Value School	19 64733 6119903		x	No
143	El Camino Real Charter High School	19 64733 1932623		x	No
144	Endeavor College Preparatory Charter School	19 64733 0120014		x	No
145	Equitas Academy Charter	19 64733 0119982		x	No
146	Equitas Academy 2 Charter	19 64733 0126169		x	No
147	Equitas Academy 3 Charter	19 64733 0129650		x	No
148	Everest Value School	19 64733 0129858		x	No
149	Executive Preparatory Academy of Finance	19 64733 0127852		x	No
150	Extera Public School	19 64733 0124198		x	No
151	Extera Public School No. 2	19 64733 0128132		x	No
152	Fenton Academy for Social and Emotional Learning	19 64733 0131722		x	No
153	Fenton Avenue Charter School	19 64733 6017016		x	No
154	Fenton Primary Center	19 64733 0115048		x	No
155	Fenton STEM Academy: Elementary Center for Science Technology Engineering and Mathematics	19 64733 0131466		x	No
156	Gabriella Charter School	19 64733 0108886		x	No
157	Gifted Academy of Mathematics and Entrepreneurial Studies	19 64733 0112334		x	No
158	Global Education Academy	19 64733 0114967		x	No

* PSC = Public School Choice

(Continued)

LOS ANGELES UNIFIED SCHOOL DISTRICT
Charter Schools (Continued)
Year Ended June 30, 2016

		CDS Code	Affiliated	Fiscally Independent	Included in the District Audit
159	Global Education Academy 2	19 64733 0129833		x	No
160	Global Education Academy Middle School	19 64733 0128116		x	No
161	Goethe International Charter School	19 64733 0117978		x	No
162	Granada Hills Charter High School	19 64733 1933746		x	No
163	High Tech Los Angeles	19 64733 0100677		x	No
164	ICEF Innovation Los Angeles Charter	19 64733 0117952		x	No
165	ICEF Vista Elementary Academy	19 64733 0117937		x	No
166	ICEF Vista Middle Academy	19 64733 0115287		x	No
167	Ingenium Charter	19 64733 0121137		x	No
168	Ingenium Charter Middle School	19 64733 0127985		x	No
169	Ivy Academia Charter School	19 64733 0106351		x	No
170	Ivy Bound Academy Math, Science, and Technology Charter Middle 2	19 64733 0128389		x	No
171	Ivy Bound Academy of Math, Science, and Technology Charter Middle	19 64733 0115113		x	No
172	James Jordan Middle School	19 64733 0109884		x	No
173	KIPP Academy of Innovation	19 64733 0128512		x	No
174	KIPP Academy of Opportunity	19 64733 0101444		x	No
175	KIPP Comienza Community Preparatory	19 64733 0121707		x	No
176	KIPP Empower Academy	19 64733 0121699		x	No
177	KIPP Ignite Academy	19 64733 0131771		x	No
178	KIPP Iluminar Academy	19 64733 0127670		x	No
179	KIPP Los Angeles College Preparatory	19 64733 0100867		x	No
180	KIPP Philosophers Academy	19 64733 0125609		x	No
181	KIPP Promesa Preparatory	19 64733 0131797		x	No
182	KIPP Raices Academy	19 64733 0117903		x	No
183	KIPP Scholar Academy	19 64733 0125625		x	No
184	KIPP Sol Academy	19 64733 0125641		x	No
185	KIPP Vida Preparatory Academy	19 64733 0129460		x	No
186	Larchmont Charter School	19 64733 0108928		x	No
187	Lashon Academy	19 64733 0128025		x	No
188	Libertas College Preparatory Charter	19 64733 0131904		x	No
189	Los Angeles Academy of Arts & Enterprise Charter (LAAAE)	19 64733 0110304		x	No
190	Los Angeles Leadership Academy	19 64733 1996610		x	No
191	Los Angeles Leadership Primary Academy	19 64733 0124818		x	No
192	Los Feliz Charter School for the Arts	19 64733 0112235		x	No
193	Lou Dantzler Preparatory Charter Elementary School	19 64733 0117945		x	No
194	Lou Dantzler Preparatory Charter Middle School	19 64733 0112227		x	No
195	Magnolia Science Academy	19 64733 6119945		x	No
196	Magnolia Science Academy 2	19 64733 0115212		x	No
197	Magnolia Science Academy 3	19 64733 0115030		x	No
198	Magnolia Science Academy 4	19 64733 0117622		x	No
199	Magnolia Science Academy 5	19 64733 0117630		x	No
200	Magnolia Science Academy 6	19 64733 0117648		x	No
201	Magnolia Science Academy 7	19 64733 0117655		x	No
202	Magnolia Science Academy Bell *	19 64733 0122747		x	No
203	Math and Science College Preparatory	19 64733 0126136		x	No
204	Metro Charter School	19 64733 0127977		x	No
205	Monsenor Oscar Romero Charter Middle	19 64733 0114959		x	No
206	Montague Charter Academy	19 64733 6018204		x	No
207	Multicultural Learning Center	19 64733 6119044		x	No
208	N.E.W. Academy Canoga Park	19 64733 0102483		x	No
209	N.E.W. Academy of Science and Arts	19 64733 0100289		x	No
210	New Designs Charter School	19 64733 0102541		x	No
211	New Designs Charter School – Watts	19 64733 0120071		x	No
212	New Heights Charter School	19 64733 0111211		x	No

* PSC = Public School Choice

(Continued)

LOS ANGELES UNIFIED SCHOOL DISTRICT
Charter Schools (Continued)
Year Ended June 30, 2016

		CDS Code	Affiliated	Fiscally Independent	Included in the District Audit
213	New Horizons Charter Academy	19 64733 0128371		x	No
214	New Los Angeles Charter School	19 64733 0117614		x	No
215	New Millennium Secondary School	19 64733 0117911		x	No
216	New Village Girls Academy	19 64733 0111484		x	No
217	North Valley Military Institute College Preparatory Academy	19 64733 0100776		x	No
218	Ocean Charter School	19 64733 0102335		x	No
219	Oscar De La Hoya Animo Charter High School	19 64733 0101675		x	No
220	Our Community Charter School	19 64733 0109934		x	No
221	Pacoima Charter Elementary	19 64733 6018642		x	No
222	Palisades Charter High School	19 64733 1995836		x	No
223	Para Los Ninos Charter Middle School	19 64733 0117846		x	No
224	Para Los Ninos Charter School	19 64733 6120489		x	No
225	Para Los Ninos – Evelyn Thurman Gratts Primary Center *	19 64733 0122630		x	No
226	Pathways Community Charter	19 64733 0127878		x	No
227	Port of Los Angeles High School	19 64733 0107755		x	No
228	Prepa Tec – Los Angeles	19 64733 0127936		x	No
229	Public Policy Charter	19 64733 0131847		x	No
230	PUC CALS Charter Middle and Early College High School	19 64733 0133298		x	No
231	PUC Community Charter Elementary	19 64733 0129619		x	No
232	PUC Community Charter Middle and PUC Community Charter Early College High	19 64733 6116750		x	No
233	PUC Early College Academy for Leaders and Scholars (ECALS)*	19 64733 0124933		x	No
234	PUC Excel Charter Academy	19 64733 0112201		x	No
235	PUC Inspire Charter Academy	19 64733 0129593		x	No
236	PUC Lakeview Charter Academy	19 64733 0102442		x	No
237	PUC Lakeview Charter High	19 64733 0122606		x	No
238	PUC Milagro Charter	19 64733 0102426		x	No
239	PUC Nueva Esperanza Charter Academy	19 64733 0133280		x	No
240	PUC Santa Rosa Charter Academy	19 64733 0119974		x	No
241	PUC Triumph Charter Academy and PUC Triumph Charter High School	19 64733 0133272		x	No
242	Puente Charter School	19 64733 6120471		x	No
243	Renaissance Arts Academy	19 64733 0101683		x	No
244	Renaissance Arts Academy K–12	19 64733 0131680		x	No
245	Resolute Academy Charter	19 64733 0131870		x	No
246	Rise Ko Hyang Middle	19 64733 0124222		x	No
247	Santa Monica Boulevard Community Charter School	19 64733 6019079		x	No
248	Stella Middle Charter Academy	19 64733 0100669		x	No
249	Student Empowerment Academy	19 64733 0112862		x	No
250	Summit Preparatory Charter	19 64733 0131839		x	No
251	Synergy Charter Academy *	19 64733 0106427		x	No
252	Synergy Kinetic Academy *	19 64733 0117895		x	No
253	Synergy Quantum Academy *	19 64733 0124560		x	No
254	TEACH Academy of Technologies	19 64733 0122242		x	No
255	TEACH Tech High School	19 64733 0129627		x	No
256	University Preparatory Value High	19 64733 0132027		x	No
257	USC East College Prep	19 64733 0132282		x	No
258	USC Hybrid High	19 64733 0125864		x	No
259	Valley Charter Elementary School	19 64733 0122754		x	No
260	Valley Charter Middle School	19 64733 0122838		x	No
261	Valor Academy High School	19 64733 0127894		x	No
262	Valor Academy Middle School	19 64733 0120022		x	No
263	Vaughn Next Century Learning Center	19 64733 6019715		x	No
264	View Park Preparatory Accelerated Charter Middle School	19 64733 6121081		x	No
265	View Park Preparatory Accelerated Elementary School	19 64733 6117048		x	No

* PSC = Public School Choice

(Continued)

LOS ANGELES UNIFIED SCHOOL DISTRICT
Charter Schools (Continued)
Year Ended June 30, 2016

		CDS Code	Affiliated	Fiscally Independent	Included in the District Audit
266	View Park Preparatory Accelerated High School	19 64733 0101196		x	No
267	Village Charter Academy	19 64733 0129866		x	No
268	Vista Charter Middle School	19 64733 0122739		x	No
269	Wallis Annenberg High School	19 64733 0100750		x	No
270	Watts Learning Center Charter Middle School	19 64733 0120527		x	No
271	Watts Learning Center Charter School	19 64733 6114912		x	No
272	Westside Innovative School House (WISH)	19 64733 0121012		x	No
273	Westside Innovative School House Charter Middle (WISH)	19 64733 0129379		x	No
274	YPI Valley Public Charter High	19 64733 0132126		x	No

LOS ANGELES UNIFIED SCHOOL DISTRICT

Notes to State Compliance Information

Year Ended June 30, 2016

(1) 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, 2016

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		\$ 105,403,830	
Child Nutrition School Programs Lunch	10.555	PCA13523/PCA13524		142,671,987	
Child Nutrition School Programs Snack	10.555	PCA13755		7,675	
Donated Food Commodities	10.555	Not Available		18,249,833	
The Southland Bagel Company Settlement					
Child Nutrition Summer Food Services Program Operations	10.559	PCA13004		2,948,240	
Child Nutrition Summer Food Services Program Sponsor Administration	10.559	PCA13006		312,648	
Subtotal Expenditures – Child Nutrition Cluster					269,594,213
Child Nutrition Child Care Food Program Claims	10.558	PCA13529			48,125,994
Child Nutrition Child Care Food Program – Cash in Lieu of Commodities	10.558	PCA13534			3,483,526
Subtotal CFDA 10.558					51,609,520
Child Nutrition Team Nutrition-Front Line Professional Education Mini Grants	10.574	PCA01188/15332			15,887
Passed through California Department of Health Services					
Network 4 Healthy California	10.561	PH-002580			1,101,213
Forest Reserve	10.665	PCA#10044			70,377
Subtotal Pass-Through Programs					322,391,210
Total U.S. Department of Agriculture					322,391,210
U.S. Department of Defense:					
Reserve Officer Training Corps Vitalization Act	12.unknown	Not Available			2,080,835
Startalk: Exploring Arabic Through Technology, Visual Arts and Photography	12.900	H98230-16-1-0124			592
Subtotal Direct Programs					2,081,427
Total U.S. Department of Defense					2,081,427
U.S. Department of Housing & Urban Development:					
Passed through City of Carson					
Carson Guidance – CBDG Entitlement Grants Cluster	14.218	MOU			18,276
Subtotal Pass-Through Programs					18,276
Total U.S. Department of Housing and Urban Development					18,276
U.S. Department of Justice:					
Passed through City of Los Angeles					
Second Chance Act	16.812	C-125850-1			3,850
Subtotal Pass-Through Programs					3,850
Total U.S. Department of Justice					3,850
U.S. Department of Labor:					
Youth Career Connect Program	17.274	YC-25413-14-60-A-6			1,590,963
Subtotal Direct Program					1,590,963
Passed through Employment Development Department:					
Employment Development Department Trade Act					
Harbor Occupational Center	17.245	Various			3,126
Maxine Waters Employment Preparation Center	17.245	Various			15,914
Various Service Areas	17.245	Various			15,947
Subtotal CFDA 17.245					34,987
Passed through City of Los Angeles					
LARCA Workforce Innovation Fund	17.283	12088			160,661
Passed through Watts Labor Community Action Committee:					
Workforce Investment Act – WorkSource Center-Adult	17.258	126176/125776		45,959	
Workforce Investment Act – Youth Opportunity Program	17.259	126168		25,000	
Passed through City of Hawthorne					
Workforce Investment Act – I-TRAIN - Harbor	17.258	16-0174-0-1-504		1,867	
Passed through City of Los Angeles					
Workforce Investment Act – T-1 Youth Source System	17.259	127001		880,000	

(Continued)

LOS ANGELES UNIFIED SCHOOL DISTRICT
Schedule of Expenditures of Federal Awards (Continued)
Year Ended June 30, 2016

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		\$ 90,090	
Passed through Archdiocesan Youth Employment Services:					
Workforce Investment Act – Youth	17.259	T5787		46,967	
Passed through Various Trade Centers					
WIA – I Train Apprenticeship Program	17.258	MOU/15-W348		60,230	
Subtotal Expenditures – Workforce Investment Act Cluster					1,150,113
Subtotal Pass-Through Programs					1,345,761
Total U.S. Department of Labor					2,936,724
National Science Foundation:					
UCLA-Sub-Agreement:Project Mobilize	47.076	0070GND220			187,327
UCLA-Sub-Agreement: Into the Loop Program	47.076	442130-MG-22130			47,748
USC-Math for America Los Angeles	47.076	Not Available			26,376
Subtotal Direct Program					261,451
Total National Science Foundation					261,451
Environmental Protection Agency					
EPA-One Water Los Angeles Curriculum	66.951	99T30701			25,045
Subtotal Direct Program					25,045
Total Environmental Protection Agency					25,045
U.S. Department of Education:					
Indian Education	84.060	S060A14283			208,339
Skills for Success Program	84.215	U215H150111			244,039
Gaining Early Awareness and Readiness for Undergraduate Programs (GEAR-UP):					
GEAR-UP 4 LA	84.334	P334A110166/P334A140118	1,165,417		4,760,483
GEAR-UP-Project Steps	84.334	P334A110159	174,494		1,523,381
Subtotal CFDA 84.334			1,339,911		6,283,864
Arts in Education-Professional Development for Arts Educator	84.351	U351C140064	330,161		356,299
Teacher Incentive Fund (TIF)	84.374	S374A120066			5,459,344
Magnet Schools Assistance	84.165	U165A130049			2,907,928
Subtotal Direct Programs					15,459,813
Passed through California Department of Education:					
Workforce Innovation and Opportunity Act – Adult Basic Ed/ESL	84.002	14508			7,638,214
Workforce Innovation & Opportunity Act – Ad Ed & Fam Lit/EL-Civics	84.002	14109			2,935,089
Workforce Innovation & Opportunity Act – Adult Secondary Ed	84.002	13978			2,456,622
Subtotal CFDA 84.002					13,029,925
Elementary and Secondary Education Act, Title I	84.010	14329		298,426,638	
Elementary and Secondary Education Act, Title I Delinquent	84.010	14357		1,060,967	
Elementary and Secondary Education Act, Title I Neglected	84.010	14329		921,843	
Subtotal Expenditures – Title I, Part A					300,409,448
Special Ed: IDEA Local Assistance, Part B, Sec.611 Early Intervening Services	84.027	PCA#10119		3,942,079	
Special Ed: IDEA Basic Local Assistance Entitlement	84.027	15-13379-6473-01		96,232,062	
Special Ed: IDEA Local Assistance, Private School ISPs	84.027	PCA#10115		1,323,842	
Special Ed: IDEA Mental Health Allocation Plan	84.027	15-15197-6473-01		6,997,313	
Special Ed: IDEA - Alternate Dispute Resolution	84.027	13007		1,849	
Special Ed: IDEA - Pre-School Local Entitlement	84.027	15-13682-6473-01		10,083,954	
Special Ed: IDEA - Embedded Instruction	84.173	14-13839-6473-01		153,310	
IDEA Preschool Expansion Grant	84.173	15-13430-6473-01		4,282,946	
PreSchool Expansion - Staff Development	84.173	15-13431-6473-01		39,696	
IDEA Preschool Desired Result	84.173	15-14688-6473-01		100,000	
Subtotal Expenditures – Special Education Cluster					123,157,051
Carl D. Perkins – Secondary Program, Sec131	84.048	14894			6,840,923
Carl D. Perkins – Vocational and Technical Education, Sec 132	84.048	14893			973,754
Subtotal CFDA 84.048					7,814,677
Early Intervention Funds – Part C	84.181	15-23761-6473-01			1,178,111

(Continued)

LOS ANGELES UNIFIED SCHOOL DISTRICT
Schedule of Expenditures of Federal Awards (Continued)
Year Ended June 30, 2016

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			\$ 225,185
Twenty-first Century Learning Centers	84.287	14349			328,601
Twenty-first Century Learning Centers	84.287	14535	11,091,584		14,265,010
Twenty-first Century Learning Centers	84.287	14603			1,528,919
Twenty-first Century Learning Centers	84.287	14604			426,393
Subtotal CFDA 84.287					16,548,923
Advanced Placement	84.330	PCA14831			1,806,009
School Dropout Prevention Program	84.360	S360A100054			476,500
Title III, Limited English Proficient	84.365	14346			15,952,070
No Child Left Behind Title II-A – Teacher Quality	84.367	14341			37,772,686
School Improvement grant	84.377	15183/15248			21,955,297
Passed through Los Angeles County Office of Education:					
Title I - Migrant Ed - Regular	84.011	14326/14768			871,357
Title I - Migrant Ed - Summer	84.011	10005/14768			246,126
Subtotal CFDA 84.011					1,117,483
Passed through Napa County Office of Education:					
Project READ - Peary Middle School	84.325	MOU			9,100
Passed through The Regents of the University of California					
California GEAR-UP	84.334	14-GEAR UP-1526			5,307
Systems of Professional Growth for CCSS Implementation	84.367	09-002383-12			192,210
Passed through Literacy Design Collaborative					
Literacy Design Collaborative Federal i3 Grant	84.411	MOU 2015-16SY			113,634
Passed through MDRC					
Power Teaching i3 Scale Up Evaluation	84.411	MOU			34,844
Diplomas Now	84.411	U396B100257			3,195
Passed through Old Dominion Univ. Research Foundation-Technology					
Facilitated Scale Up of a Proven Model	84.411	13-227-317101			195,466
Subtotal CFDA 84.411					347,139
Passed through Los Angeles County Office of Child Care					
Race to the Top-Early Learning Challenge Grant	84.412	AO15-043/AO16-7010-RTT			307,058
Passed through State Department of Rehabilitation:					
Rehab-Transition Partnership Program/Trans Part-Greater LA	84.126	28903/EP1313027			1,293,514
CA PROMISE-(Promoting Readiness of Minor in Supp'l Income)	84.418	29139			1,190,018
Passed through Center for Collaborative Education					
Principal Residency Network	84.363	MOU/4400003138			158,807
Subtotal Pass-Through Programs					544,946,518
Total U.S. Department of Education					560,406,331
U.S. Department of Health & Human Services:					
CDCP-School Based HIV/STD Prevention	93.079	5U87PS004181-.03			676,676
SAMHSA-Now is the Time-Project AWARE	93.243	1H79SM061953-01			16,144
CMS-Cycle II & Cycle III Chipra Outreach	93.767	1ZOCMS331214-01-00			158,593
Subtotal Direct Programs					851,413
Passed through Rand Corporation					
Treatment & Services Adaptation Center for Resiliency	93.243	9920130075			7,936
Passed through Dibble Institute					
Dibble Inst-BldgBrighter Future	93.086	90FM0010-01-00			9,012
Passed through Community Councils,Inc-REACH Demo	93.743	MOU			2,334
Passed through County of Los Angeles:					
Maternal Infant and Early Childhood Home Visiting Program	93.505	PH-002170			943,315
Passed through City of Los Angeles:					
HCID CDBG-Pupil Services Attendance Counselors	93.569	C-125301			851,907
Passed through California Department of Education:					
General Child Care Center-Block Grant	93.575	PCA15136		1,257,926	
General Child Care Center-Mandatory & Matching Fund	93.596	PCA13609		2,286,417	
Subtotal Expenditures – Child Care Development Fund Cluster					3,544,343

(Continued)

LOS ANGELES UNIFIED SCHOOL DISTRICT
Schedule of Expenditures of Federal Awards (Continued)
Year Ended June 30, 2016

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			\$ 84,114
Medi-Cal Administrative Activity	93.778	C-10606:08:09			5,805,593
Subtotal Pass-Through Programs					11,248,554
Total U.S. Department of Health & Human Services					12,099,967
U.S. Department of Homeland Security:					
Passed through Governors Office of Emergency Services:					
Public Assistance – FEMA 1577 DR2005 Winter Storms	97.036	OES ID-037-91146/FEMA-1585-DR			15,543
Public Assistance – FEMA-1810-DR-CA	97.036	OES ID-037-91146			4,225
Subtotal CFDA 97.036					19,768
Subtotal Pass-Through Programs					19,768
Total U.S. Department of Homeland Security					19,768
Total Expenditures of Federal Awards					<u>\$ 900,244,049</u>

LOS ANGELES UNIFIED SCHOOL DISTRICT

Notes to Schedule of Expenditures of Federal Awards

Year Ended June 30, 2016

(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) \$18,249,833 of donated food commodities received from the U.S. Department of Agriculture, passed-through the State of California, during the year ended June 30, 2016.



SIMPSON & SIMPSON
CERTIFIED PUBLIC ACCOUNTANTS

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

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

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, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 13, 2016.

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, 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-2016-001 and FS-2016-002.



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.

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

Los Angeles, California
December 13, 2016



SIMPSON & SIMPSON
CERTIFIED PUBLIC ACCOUNTANTS

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

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

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, 2016. 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, 2016.

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-2016-001 to F-2016-006. 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-2016-001 to F-2016-006 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 deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item F-2016-005 to be a significant deficiency.

The District's response to the internal control over compliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in black ink that reads "Simpson & Simpson".

December 13, 2016
Los Angeles, California



SIMPSON & SIMPSON
CERTIFIED PUBLIC ACCOUNTANTS

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

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

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 *2015-16 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* (the Guide) for the year ended June 30, 2016. 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 *2015-16 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
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 2015-16.
- ** 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, 2016.

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-2016-001 through S-2016-007. 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 13, 2016

LOS ANGELES UNIFIED SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

June 30, 2016

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
10.558	Department of Agriculture – Child and Adult Care Food Program	Unmodified
17.274	Department of Labor – Youth Career Connect Program	Unmodified
84.002	Department of Education – Workforce Investment Act, Title II: Adult Education and Family Literacy Act	Unmodified
84.010	Department of Education – Title I Grants to Local Educational Agencies	Unmodified
	Department of Education – Special Education Cluster:	Unmodified
84.027	Special Education Grants to States (IDEA, Part B)	
84.173	Special Education Preschool Grants (IDEA Preschool)	

LOS ANGELES UNIFIED SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

June 30, 2016

CFDA #	Name of Federal Program	Opinion
84.048	Department of Education – Vocational Education Basic Grants to States (Perkins IV)	Unmodified
84.165	Department of Education – Magnet Schools Assistance	Unmodified
84.334	Department of Education – Gaining Early Awareness and Readiness for Undergraduate Programs (GEAR-UP)	Unmodified
84.367	Department of Education – Improving Teacher Quality State Grants	Unmodified
84.374	Department of Education – Teacher Incentive Fund Initiative	Unmodified
84.377	Department of Education – School Improvement Grants	Unmodified
	Department of Health and Human Services – Child Care Development Fund Cluster:	Unmodified
93.575	Child Care and Development Block Grant	
93.596	Child Care Mandatory and Matching Funds of the Child Care and Development Fund	
93.778	Department of Health and Human Services – Medi-Cal Administrative Activity	Unmodified
•	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

LOS ANGELES UNIFIED SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

June 30, 2016

State Awards

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

Unmodified

LOS ANGELES UNIFIED SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

June 30, 2016

Section II – Findings Relating to the Basic Financial Statements which are Required to be Reported in Accordance with Government Auditing Standards

FS-2016-001 ITD Access to SAP Production Transactions – Significant Deficiency

State Audit Guide Finding Code: 30000

Criteria

Information Technology personnel (e.g., developers, programmers, etc.) should be restricted from having direct/update access to production programs. Access to production programs should be under version control and maintained in a lock-down state. Any changes should be routed through proper change control procedures.

Condition

We noted that four (4) ITD personnel have update access to the cost center assignments Payroll transaction (PP03).

Cause and Effect

Inadequate restriction to modify/update access to production 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 SAP production transactions and remove inappropriate access in a timely manner.

Management Responses

The ITD SAP HR team uses PP03, a standard SAP transaction code, to create and maintain organization units and jobs in SAP based on approved memos from HR Division or Personnel Commission. We also use this t-code to create and maintain job family, job sub family, and positions. Currently, we use PPO3 to maintain the following object types:

- Org unit
- Position
- Job
- Job Family
- Job Sub Family

By March 2017, we will restrict our access to PP03 to view only. For Org Unit, Cost Center, Fund Center master data updates, we will stop the direct table update method and implement a controlled programmatic transport process with business sponsor signoff. Updates to “Position” master data will be transitioned to the business owner, Budget Services Division. Updates to “Job”, “Job Family”, and “Job Sub Family” master data will be transitioned to Personnel Commission and HR Division.

LOS ANGELES UNIFIED SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

June 30, 2016

FS-2016-002 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

We analyzed MISIS user access profiles and security roles that control access to student attendance data records to determine whether an employee's user role(s) and access to school site(s) data are appropriate for his/her job function(s). The following control weaknesses were noted:

- Twenty-six (26) of the forty (40) users sampled have attendance update access for over forty (40) schools via being assigned the MISIS Office Manager role. This access appears excessive for the users relative to the number of schools to which they have access, however the assigned roles appear appropriate.
- One (1) inactive user was noted of the forty (40) users sampled. This user has attendance update access to a school via being assigned the MISIS Teacher role.
- One (1) retired user was noted of the forty (40) users sampled. This user has attendance update access for over forty (41) schools via being assigned the MISIS Office Manager role.

Related details for the above findings were shared with District ITD management.

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

Guidance regarding school-based administrator management of staff access is provided on the MISIS website, in the MISIS Staff Access Management document. The guide provides detailed information on how to approve or remove access for new or transferred school staff and tools to help manage access. Further formalization of the policy is planned by adding content to the upcoming update of the District's Information Protection Policy bulletin. The central office manual processes will continue to be performed to correct exceptions. The most recent manual review and update process was completed July 30, 2016. Business owners were notified of the change in access for their staff. Additionally, automated processes to modify user access will be introduced incrementally

LOS ANGELES UNIFIED SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

June 30, 2016

Section III – Findings and Questioned Costs Relating to Federal Awards

Program Identification

Finding Reference Number:	F-2016-001
Federal Catalog of Domestic Assistance Number:	84.165A
Federal Program Title:	Magnet School Assistance
Awarding Agency / Pass-Through Entity:	U.S. Department of Education
Award Number	Grant Agreement U165A130049
Compliance Requirement:	Cost Principles
State Audit Guide Finding Code:	30000 and 50000

Criteria

OMB Circular A-87, Cost Principles for State, Local, and Indian Tribal Governments, Attachment B, Selected Items of Cost, Part 8, Compensation for Personal Services, Section H, Support of salaries and wages:

- Where employees are expected to work solely on a single federal award or cost objective, charges for their salaries and wages will be supported by periodic certifications that the employees worked solely on that program for the period covered by the certification. These certifications will be prepared at least semiannually and will be signed by the employee or supervisory official having firsthand knowledge of the work performed by the employee.
- Where employees work on multiple activities or cost objectives, a distribution of their salaries or wages will be supported by personnel activity reports or equivalent documentation that meets the standards in subsection (5) unless a statistical sampling system (see subsection (6)) or other substitute system has been approved by the cognizant federal agency. Such documentary support will be required where employees work on:
 - (a) More than one federal award,
 - (b) A federal award and a nonfederal award,
 - (c) An indirect cost activity and a direct cost activity,
 - (d) Two or more indirect activities which are allocated using different allocation bases, or
 - (e) An unallowable activity and a direct or indirect cost activity.

LOS ANGELES UNIFIED SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

June 30, 2016

- Personnel activity reports or equivalent documentation must meet the following standards:
 - (a) They must reflect an after the fact distribution of the actual activity of each employee,
 - (b) They must account for the total activity for which each employee is compensated,
 - (c) They must be prepared at least monthly and must coincide with one or more pay periods, and
 - (d) They must be signed by the employee.

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 OMB Circular A-87 and Policy Bulletin 2643.6.

In our sample of forty (40) payroll expenditures, we noted that three (3) employees at one (1) school totaling \$8,866 had signed semiannual certifications; however, the certifications were not signed timely.

All three (3) SACs in question covered July 1st to December 31st and were signed April 19, 2016.

Total exceptions amounted to \$8,866 of the \$193,192 sampled from the \$2,080,286 of the total Magnet School Assistance Program payroll program expenditures.

Our sample was a statistically valid sample.

Cause and Effect

The condition appears to be an incident where employees from one school did not follow the District's policies and procedures.

This finding is a repeat finding for this program and has been reported previously for June 30, 2015 (F-2015-001).

Questioned Costs:

The total cost related to the untimely certifications amounted to \$8,866.

LOS ANGELES UNIFIED SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

June 30, 2016

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.

View of Responsible Officials, Corrective Action Plan, and Contact Information

The District is continuing its training on time and effort certification for its employees. In addition, the Magnet Program Office will ask the school for its completed Semi-Annual Certifications each January and July to monitor compliance for this procedure. This added level of support will assist in the timely submission of appropriate forms.

Name: Cheryl Minke

Title: Interim Project Director

STEM/STEAM Magnet Schools Network

Telephone: (213) 241-4285

Program Identification

Finding Reference Number:	F-2016-002
Federal Catalog of Domestic Assistance Number:	84.010
Federal Program Title:	Title I Grants to Local Educational Agencies (LEAs)
Awarding Agency / Pass-Through Entity:	U.S. Department of Education, California Department of Education
Award Number	Grant Agreement 14329-6473
Compliance Requirement:	Activities Allowed or Unallowed
State Audit Guide Finding Code:	30000 and 50000

Criteria

Per the Program and Budget Handbook issued by the Los Angeles Unified School District Federal and State Education Programs Branch for 2015-16:

Single Plan for Student Achievement (SPSA) is a written plan developed by the school community describing the school's program and how resources will be used to meet the supplemental educational and related needs of participating students. California Education Code 9 (EC) Section 64001 requires that a School Site Council (SSC) develop the SPSA. The SSC must approve the plan, recommend it to the local governing board for approval (See "Developing a School Budget" page for delegated

LOS ANGELES UNIFIED SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

June 30, 2016

authority), monitor its implementation, and evaluate the effectiveness of the planned activities at least annually. Based on the SPSA evaluation and the comprehensive needs assessment, the SPSA must be updated to include any major changes.

Budget Justification pages are completed annually for state and federal audits and for Federal Program Monitoring (FPM) purposes. They are an integral component of the SPSA, must be aligned with the stated goals of the SPSA, and must match the current budget in the areas of Capital Outlay and Equipment, Contract, Curricular Trips/Conferences/Professional Development, and Job Descriptions.

The school budget must be based on the identified needs of participating students as determined by conducting a comprehensive needs assessment and as described in the *Single Plan for Student Achievement* (SPSA). The most efficient use of resources which support the plan and students' access to the core curriculum should be the rule.

Budgets should be developed with recommendations from the appropriate committees, i.e. ELAC. Their written recommendations must be brought to the School Site Council (SSC) for review and approval.

Expenditure records and school purchase orders are reviewed during FPM and audits. The budget should be aligned with expenditures, and the correct object code should be used for all school purchases. For the most commonly used object codes, go to the School Fiscal Services website.

Condition

We sampled a total of sixty-two (62) schools to verify actual expenditures incurred were in accordance with the approved Single Plan for Student Achievement (SPSA), the schools' Budget Justifications, Budget Adjustment Request Forms, Budget Maintenance Worksheets as well as their accounting records. In our review of actual expenditures in comparison to the approved budgets, we did not note any potentially unallowable costs for the Title 1 grant, but we did note the following exceptions between the individual schools SPSA and the actual expenditures:

1. Seven (7) schools charged unbudgeted expenditures totaling \$4,976 to the grant; charging unbudgeted expenditures to the grant is unallowable per the LAUSD *Program and Budget Handbook*.
2. Six (6) schools incurred expenditures that exceeded the approved budgets. The over-spending of expenditures amounted to \$3,343.
3. Three (3) schools incurred unbudgeted expenditures totaling \$1,240 due to year-end accounting adjustments performed at the District level as part of the year-end closing process.

Our sample was a statistically valid sample.

LOS ANGELES UNIFIED SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

June 30, 2016

Cause and Effect

The conditions appear to be incidents where the schools noted above did not follow the District's policies and procedures.

This finding is a repeat finding and has been reported previously for June 30, 2015 (F-2015-002).

Questioned Costs

Not applicable. This finding is considered a deficiency in the internal control system to adequately monitor actual program expenditures by school charged to the Title I grant.

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.

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

In response to audit findings from the previous year, the Federal and State Education Programs (FSEP) Branch established procedures to more closely monitor Title I expenditures at schools. With that being said, the FSEP office and the Parent Community Services Branch will take the following steps to further strengthen its budgetary controls:

- a) Expenditures including payroll will be monitored quarterly to ensure that expenditures are based upon budget and do not exceed the total amount allocated; any expenditures in excess of the budget including payroll reported after the final pay period for the year will be flagged for automatic repayment by the school with general funds as per the District's Carryover Memorandum and Program and Budget Handbook.
- b) Provide training to School Administrative Assistants at the beginning of the school year on the use of Title I funds and the importance of maintaining control sheets.
- c) Provide training to school site Title I Coordinators/Title I Designees on the use of Title I funds and the importance of maintaining control sheets.

Name: Ms. Karen Ryback

Title: Executive Director, Federal and State Education Programs

Telephone: (213) 241-6990

LOS ANGELES UNIFIED SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

June 30, 2016

Program Identification

Finding Reference Number:	F-2016-003
Federal Catalog of Domestic Assistance Number:	93.575 and 93.596
Federal Program Title:	Child Care and Development Fund: Child Care and Development Block Grant, Child Care Mandatory and Matching Funds of the Child Care and Development Fund
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:	Eligibility
State Audit Guide Finding Code:	30000 and 50000

Criteria

Section D Certification of Eligibility of Child Care and Development Center-Based (CCTR) and California State Preschool Program (CSPP) 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 E 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;

LOS ANGELES UNIFIED SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

June 30, 2016

- 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.

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).

All signed/initialed NOAs should be scanned into the Images page in EESIS.

3.1.9 The self-declaration of income should only be used when all other options have been exhausted and should not be used as the default.

If the employer refuses or fails to provide documentation, or if requesting documentation from the employer would in any way jeopardize the parent's employment, the parent can provide other records to document income along with a *Self-Certification of Income* form signed under penalty of perjury. The Office Manager should make notes in the LAUSD Section of the *Self-Certification* to indicate how the reasonableness of the income was assessed and should also note that the employer declined to complete the form.

5.1 A child's birth certificate showing only the mother's name is sufficient documentation of single parent status if the mother indicates she is still single. But when only one parent has signed the application and the information indicates the child has another parent whose name does not appear on the application, the absence (or presence) of that parent must be documented. Single parent status must be re-documented every year unless the parent can provide legal or official documents.

LOS ANGELES UNIFIED SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

June 30, 2016

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-five (25) out of ninety (90) Early Education Centers (EECs) and requested the family files such as annual recertification forms, pay stubs or letters and noted the following exceptions:

- a) Eleven (11) files lacked complete income determination support;
- b) Two (2) files lacked proper documentation to confirm re-certification occurred within a 12-month period;
- c) One (1) file lacked a completed application (Form 9600);
- d) One (1) file had Income Worksheet calculating monthly income at \$3,207 using biweekly method instead of bimonthly as per the paycheck stubs. The recalculated monthly income of \$3,093 for a family of 5 would cause a decrease in the parent's monthly fee from \$111 to \$95;
- e) One (1) file had Income Worksheet calculating monthly income using YTD hours for 1 out of the 4 paychecks instead of the gross amount, causing monthly income to be understated by \$192. The recalculated monthly income of \$3,371 for a family of 3 would cause an increase in the parent's monthly fee from \$264 to \$313.

Our sample was a statistically valid sample.

Cause and Effect

It appears that a lack of effective and timely monitoring by the District over the functions performed by the center managers and possible staffing issues has resulted in a failure to follow procedures during eligibility determination and annual recertification.

This finding is a repeat finding and has been reported previously for June 30, 2015 (F-2015-003).

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 could not be assessed for the exceptions noted for (b) and (c) because they may or may not have an impact on the family's eligibility status.

The questioned cost for (d) representing the over-charging of the family fee amounted to \$192 ($\$111 - \$95 = \$16 \times 12 = \192).

The questioned cost for (e) representing the miscalculation of under-charging the family fee amounted to \$588 ($\$313 - \$264 = \$49 \times 12 = \588).

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

LOS ANGELES UNIFIED SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

June 30, 2016

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 and Planned Corrective Actions, and Contact Information

The District agrees with the audit findings.

The Early Childhood Education (ECE) Division has implemented the following corrective action plan:

- Mandatory Office Manager trainings were held to address the importance of attendance and general record-keeping. Family file training was also addressed to ensure that appropriate documentation is kept regarding eligibility. The training was completed on the dates listed below:
 - Summer Training: August 28, 2016
 - Fall Training I: October 25, 2016
 - Fall Training II: October 26, 2016
 - Fall Training III: October 28, 2016
- Additional training sessions will be scheduled for winter and spring of 2017 and will focus on audit exceptions and best practices.
- One-on-one training is provided to new office managers by their Eligibility Technician, usually within the first week or two of hire date.
- After initial training, the Eligibility Technician or Senior Eligibility Technician visits the office managers at their center on an as needed basis in order to provide more direct assistance.
- Early Education Principals also participated in the Fall trainings and will be reviewing family files with their Office Manager and Early Education Director.
- Early Education Directors are reviewing family files as part of their school visits.
- A comprehensive policy manual was provided to all Principals and Office Managers in early 2014. The manual is revised as policy changes. Both Principals and Office Managers are strongly encouraged to consult the manual for guidance. It is also available online.

The above listed actions have been implemented as of July 1, 2016 and are part of the standard ongoing operational procedures of the Division.

Name: Dean Tagawa

Title: Executive Director, Early Childhood Education

Telephone: (213) 241-0415

LOS ANGELES UNIFIED SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

June 30, 2016

Program Identification

Finding Reference Number:

F-2016-004

Federal Program Title, Awarding Agency, Pass-Through Entity, Catalog of Federal Domestic Assistance (CFDA) Number, Award Number:

Magnet School Assistance, U.S. Department of Education, CFDA No. 84.165A, Grant Agreement No. U165A130049;

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;

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

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.

LOS ANGELES UNIFIED SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

June 30, 2016

- (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).

LOS ANGELES UNIFIED SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

June 30, 2016

BUL-3508.7 Section I – Categorical Equipment Inventory Physical Check – A physical check of the equipment inventory must be, at a minimum, conducted every two years, and the results of the physical check must reconcile with the inventory records in Section III.

BUL-3508.7 Section III – Categorical Equipment Inventory Database – In this section, add newly purchased equipment items with a total final cost of \$500 or more to the school's historical Categorical Equipment Inventory database. Schools must maintain records of any disposed equipment on the equipment inventory database with an explanation regarding its disposition (i.e., salvaged, stolen, transferred, unusable). If sold, include sale price and method for determining current fair market value.

Condition

Magnet School Assistance:

In our procedures performed to determine the District's compliance with the equipment management requirement, we sampled a total of two (2) out of four (4) schools from the grant awarded and noted the following exceptions:

1. One (1) school did not carry over all equipment from prior year log to the 2015-2016 log causing 1 equipment item to not be properly logged in the most recent equipment inventory performed and submitted September 1, 2015.

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 nine (79) schools and reviewed pertinent documents such as inventory logs and noted the following during our comparison of the equipment listed in the prior year log to the current year's inventory log:

1. Four (4) schools did not properly reconcile the physical inventory, resulting in not all equipment in use being accounted for. A second physical inventory was performed in November 2015 and all inventory was accounted for with the exception of 8 items which were salvaged without using the appropriate disposal form.

Our sample was a statistically valid sample.

Workforce Innovation and Opportunity Act (WIOA):

In our procedures to determine the District's compliance with the equipment management requirements, we tested ten (10) out of ten (10) centers plus the Central Office and reviewed pertinent documents such as inventory logs and invoices and noted the following:

1. In testing of 31 invoices for equipment purchases over \$500, two (2) purchases made by two (2) centers were not included on their corresponding inventory logs. However, the inventory logs were updated subsequently and provided for the audit.

LOS ANGELES UNIFIED SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

June 30, 2016

2. In our comparison of the equipment listed on the 2014 inventory log to the 2016 inventory log, five (5) centers and the Central Office 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.

Cause and Effect

Magnet School Assistance: Inadequate supervision and insufficient guidance/training to the personnel at the schools over inventory and management of equipment or property 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, 2015 (F-2015-004).

Career and Technical Education-Basic Grants to States (Perkins IV): Inadequate supervision, high turnover within the program office, transitioning of accounting software, erroneous information, and insufficient guidance/training to the personnel at the schools over inventory and management of equipment or property 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, 2015 (F-2015-004).

Workforce Innovation and Opportunity Act (WIOA): Misinterpretation of the equipment management requirements may have contributed to these issues. Inadequate information could result in non-compliance with the grant requirements.

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.

LOS ANGELES UNIFIED SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

June 30, 2016

Views of responsible Officials, Planned Corrective Actions, and Contact Information

Magnet School Assistance:

Training will continue to be provided to the school sites receiving MSAP funds with regards to proper inventory management and documentation. In this instance, the school site had a typo on the inventory sheet indicating 1 computer rather than 2. The MSAP Project Director has informed and directed school sites to thoroughly review ALL serial numbers, cost, location, and number of items listed and the MSAP central team will review the items one-by-one with the school site for further control efforts.

Name: Cheryl Minke
Title: Interim Project Director
STEM/STEAM Magnet Schools Network
Telephone: (213) 241-4285

Career and Technical Education-Basic Grants to States (Perkins IV):

The inventory will be reconciled with prior years' documents. The new purchases will be added to update the inventory and disposal of equipment will be noted on appropriate forms. The Career Technical Education (CTE) teachers will perform physical checks for the inventory in conjunction with CTE Pathway Advisers and sign off on the assurance form. The principal at the school site will sign the assurance form attesting the accuracy of the inventory.

Name: Seema Puri
Title: CTE Coordinator
Telephone: (213)-241-1298

Workforce Innovation and Opportunity Act (WIOA):

The Division of Adult and Career Education (DACE) will update and reissue Policy Guideline No. 118. Currently the guideline instructs items with a current market value of less than \$500 and over 5 years old to be removed from the inventory. The update will be changed to require all equipment to remain on the list until it is no longer useful at which time it will be salvaged and noted on the log. DACE staff involved in maintaining equipment inventories will be trained on the requirements of the updated Policy Guideline No. 118. Updates to and training on Policy Guideline No. 118 will be completed in Spring 2017.

Name: Laura Chardiet
Title: Coordinator, Program & Policy Development
Telephone: (213) 241-3150

LOS ANGELES UNIFIED SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

June 30, 2016

Program Identification

Finding Reference Number:

F-2016-005

Federal Program Title, Awarding Agency, Pass-Through Entity, Catalog of Federal Domestic Assistance (CFDA) Number, and Award Number:

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) 4 LA, 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;

Compliance Requirement:

Reporting

State Audit Guide Finding Code:

30000 and 50000

Criteria

Child Care and Development Fund

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

LOS ANGELES UNIFIED SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

June 30, 2016

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.)*

Gaining Early Awareness and Readiness for Undergraduate Programs (GEAR-UP) 4 LA

34 CFR section 75.118 states a recipient that wants to receive a continuation award shall submit a performance report that provides the most current performance and financial expenditure information.

U.S. Department of Education GEAR UP Annual Performance Report (APR) instruction states that each eligible recipient that is awarded a GEAR UP grant must submit an APR describing their progress in meeting project goals and objectives. As required by the Government Performance and Results Act of 1993, the APR is also used to collect data addressing the performance of the GEAR UP program on a national level.

Career and Technical Education-Basic Grants to States (Perkins IV)

Annual Accountability Report (Part D) for the Consolidated Annual Report for the Carl D. Perkins Career and Technical Education Act of 2006 (CAR) (OMB No. 1830-0569). A sample of cells on the CAR should be tested (in a similar manner that is done for a financial report) to ensure that the State has data that supports the numbers in the report. The measures and levels are defined in the Final Agreed-Upon Performance Levels form that is incorporated in a State plan and attached to the grant award.

Subrecipients – Each LEA and other subrecipients must annually report to the State the progress of the LEA or other subrecipients in achieving its local adjusted levels of performance on the core indicators of performance, including the levels of performance achieved by the special population categories described in Section 3(29) of Perkins IV and other student categories described in Section 1111(h)(1)(C)(i) of ESEA (20 USC 6311(h)(1)(C)(i)) (Section 113(b)(4)(C) of Perkins IV (20 USC 2323(b)(4)(C))).

The LEA or other subrecipient is also required to report disaggregated data on the performance of students by gender, race, ethnicity, migrant status, and the special population categories described in Section 3(29) of Perkins IV (20 USC 2302 (29)) (Section 113(b)(4)(C)(ii) of Perkins IV (20 USC 2323(b)(4)(C)(ii))).

LOS ANGELES UNIFIED SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

June 30, 2016

Each LEA or other subrecipient negotiates with the State local adjusted performance levels (i.e. targets) for each core indicator for each program year (Sections 113(b)(4)(A)(iii) and (iv) of Perkins IV (20 USC 2323 (b)(4)(A)(iii) and (iv))). Each LEA's or other subrecipient's local adjusted performance levels are incorporated into the local plan required by Section 134 before approval by the State.

CDE designed the Report on CTE Enrollment and Program Completion, CDE 101 E-1 and E-2, to collect the annual enrollment and program completion data mandated by the Carl D. Perkins Career and Technical Education Improvement Act of 2006 (Perkins IV) and sections 8006 and 8007 of the California Education Code. Each LEA participating in the Perkins IV funds is required to submit this annual report.

CDE's Perkins IV Data System - General Information and Instructions for the CDE 101 E-1 and E-2, Section Reports/Final Review:

Before submitting data to the CDE please review and reflect on the data for possible errors. Union/Unified Districts should check to ensure that all Regional Occupational Centers and Programs (ROCP) courses were reported.

Condition

Child Care and Development Fund

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) weeks randomly selected from twenty (20) Early Education Centers (EECs). As a result of the reconciliation, we noted the following ten (10) discrepancies from eight (8) EECs:

- Two (2) sign-in/sign-out sheets tracked two (2) days of "pattern"; however EESIS reported 5 days "present" for both participants, for a total of two (2) unexcused absences.
- One (1) sign-in/sign-out sheet tracked four (4) days of "no signature due to child out for funeral" and one (1) day had a parent sign in signature, but no sign out signature"; however; EESIS reported five (5) days of "present".
- One (1) sign-in/sign-out sheet tracked four (4) days of "present" and one (1) day of "no signature"; however; EESIS reported five (5) days of "present", for a total of one (1) unexcused absence.
- One (1) sign-in/sign-out sheet tracked three (3) days of "present", one (1) day of "pattern", and one (1) day of "no signature"; however, EEIS reported four (4) days "present" and one (1) day "pattern", for a total of one (1) unexcused absence.
- One (1) sign-in/sign-out sheet tracked four (4) days of "present" and one (1) day of "pattern"; however; EESIS reported only four (4) days of "present", for a total of one (1) unexcused absence not reflected in EESIS.
- One (1) sign-in/sign-out sheet tracked two (2) days of "present" and three (3) days of "recertification forms not submitted"; however; EESIS reported five (5) days of "present", for a total of three (3) unexcused absences.
- One (1) sign-in/sign-out sheet tracked three (3) days of "present" and two (2) days of "illness; however; EESIS reported four (4) days of "present" and one (1) day of "illness".

LOS ANGELES UNIFIED SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

June 30, 2016

- One (1) sign-in/sign-out sheet tracked two (2) days of “family emergency” and three (3) days of “illness; however; EESIS reported five (5) days of “illness”.
- One (1) sign-in/sign-out sheet tracked one (1) day of “present” and four (4) days of “illness; however; EESIS reported two (2) days of “present” and three (3) days of “illness”.

There are a total of 8 unexcused absences, not subject to reimbursement, based on the exceptions noted above. Our sample was a statistically valid sample.

Gaining Early Awareness and Readiness for Undergraduate Programs (GEAR-UP) 4 LA

In comparing the actual expenditures as reported on the Annual Performance Reports (APRs) for Year 4 and Year 1 of Grant Award Numbers P334A110166-15 and P334A140118-15, respectively, to the District’s accounting records, we noted the following discrepancies:

- For Award Number P334A110166-15’s APR, the travel expenditures totaling \$29,337 were not reported.
- For Award Number P334A140118-15’s APR, the salaries and wages were understated by \$5,306.

Career and Technical Education-Basic Grants to States (Perkins IV)

To verify the accuracy of the CDE 101 E-1 and CDE 101 E-2 reports, we randomly selected a total of fifty nine (59) courses in the Perkins program (California Basic Educational Data System or CBED course codes) out of three hundred seventy eight (378) total courses. Based on our review of the E-1 and E-2 report, we noted the following variances in the CBED course codes reported:

1. CBED course code 4411 was reported on the E-1 report, but the course was not offered.
2. CBED course code 4411 was reported on the E-2 report, but the course was not offered.

Our sample was a statistically valid sample.

Cause and Effect

Child Care and Development Fund – There appear 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, 2015 (F-2015-006).

Gaining Early Awareness and Readiness for Undergraduate Programs (GEAR-UP) 4 LA – The clerical oversights seem to be due to lack of a secondary review prior to submission by District staff, causing under-reporting of program expenditures.

Career and Technical Education-Basic Grants to States (Perkins IV) - The condition appears to be due to a clerical error by the Division of Instruction, which resulted in demographic reporting errors.

The CBED course code for 4410 was not shown as available on PDS (Perkins Data System) on the first run of data received. By available definition of Industry Sector and CBED Titles, LAUSD chose 4411 to represent 4410. A second run data was produced with updated student counts. This resulted in reentering of the majority of data entered on PDS. The request to have PDS opened during the

LOS ANGELES UNIFIED SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

June 30, 2016

statewide correction period was allowed and data was reentered. In the urgency of reentering data, the deletion of 4411 went unnoticed.

E-2 data automatically rolls over CBEDS reported on E-1. The option to delete E-1 CBEDS entered is not available under PDS for E-2 reporting.

CDE approved the reporting window to be reopened for edits from 9 am October 27, 2015 to midnight of October 30, 2015, but due to time constraints, the data corresponding to the CBED course was not deleted.

Questioned Costs

Child Care and Development Fund

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."

Gaining Early Awareness and Readiness for Undergraduate Programs (GEAR-UP) 4 LA

Not applicable. This finding is considered a programmatic non-compliance issue as well as a deficiency in GEAR UP's internal control system to properly prepare and review the reports in accordance to the GEAR UP guidelines.

Subsequent to the audit discovery of the discrepancies, District staff contacted the Department of Education to provide corrected Annual Performance Reports.

Career and Technical Education-Basic Grants to States (Perkins IV)

Not applicable. This finding is considered a programmatic non-compliance issue as well as a deficiency in the internal control system to properly prepare and submit the reports in accordance to the CDE guidelines.

LOS ANGELES UNIFIED SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

June 30, 2016

Recommendation

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.

Views of responsible Officials and Planned Corrective Actions, and Contact Information

Child Care and Development Fund

The District agrees with the audit findings. The Early Childhood Education (ECE) Division has implemented the following corrective action plan:

- Mandatory Office Manager trainings were held to address the importance of attendance and general record-keeping. Family file training was also addressed to ensure that appropriate documentation is kept regarding eligibility. The training was completed on the dates listed below:
 - Summer Training: August 28, 2016
 - Fall Training I: October 25, 2016
 - Fall Training II: October 26, 2016
 - Fall Training III: October 28, 2016
- Additional training sessions will be scheduled for winter and spring of 2017 and will focus on audit exceptions and best practices.
- One-on-one training is provided to new office managers by their Eligibility Technician, usually within the first week or two of hire date.
- After initial training, the Eligibility Technician or Senior Eligibility Technician visits the office managers at their center on an as needed basis in order to provide more direct assistance.
- Early Education Principals also participated in the Fall trainings and will be reviewing family files with their Office Manager and Early Education Director.
- Early Education Directors are reviewing family files as part of their school visits.
- A comprehensive policy manual was provided to all Principals and Office Managers in early 2014. The manual is revised as policy changes. Both Principals and Office Managers are strongly encouraged to consult the manual for guidance. It is also available online.

LOS ANGELES UNIFIED SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

June 30, 2016

The above listed actions have been implemented as of July 1, 2016 and are part of the standard ongoing operational procedures of the Division.

Name: Dean Tagawa
Title: Executive Director, Early Childhood Education
Telephone: (213) 241-0415

Gaining Early Awareness and Readiness for Undergraduate Programs (GEAR-UP) 4 LA

The District's Specially Funded Accounting Branch will be the secondary reviewer for GEAR-UP financial reports prior to submission to USDE.

Name: Lois Bramwell
Title: Program Supervisor
Telephone: (213) 241-0150

Career and Technical Education-Basic Grants to States (Perkins IV)

Additional analysis and simplifying the reporting process will be performed through the use of pivot tables and a review process as described below:

- A pivot table is generated to replicate the Second Summary report as produced by PDS for students counts listed in the modified raw data used for E-1 reporting.
- After all data is entered, if a discrepancy is noted in the PDS Summary Report compared to the Secondary Summary pivot table, the miscount is noted to what ethnicity & gender and column indicator has the issue.
- Going back to the modified data tab on the E-1 reporting file, the corresponding CBED can be filtered by the ethnicity or special population and gender with the discrepancy.
- The filter will indicate which CBEDS are reporting those demographics in order to validate and resolve a reporting error down to the appropriate CBEDS.
- Once both the Secondary Summary pivot table and PDS Secondary Summary coincide, administrators will review that both reports are matching which will serve as a time sensitive, extra layer of reporting accountability in addition to cross-checking all CBEDS individually.

Steps also taken for reportable CBEDS:

- Downloading applicable (if updated) CDE CBEDS/Industry Sector materials and collaborating with LAUSD CRSMap and CALPADS Code Sets to update CTE CBED Course List for new or previously reported courses within the previous school year (for E-1 reporting.)
- All reportable courses are marked under CTE Report for "current year" E1/E2. Any issues with PDS CBEDS and LAUSD data will be marked under "Comments" indicating course of action.

Name: Seema Puri
Title: CTE Coordinator
Tel: (213)-241-1298

LOS ANGELES UNIFIED SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

June 30, 2016

Program Identification

Finding Reference Number:	F-2016-006
Federal Catalog of Domestic Assistance Number:	84.010
Federal Program Title:	Title I Grants to Local Education Agencies (LEAs)
Awarding Agency / Pass-Through Entity:	U.S. Department of Education, California Department of Education
Award Number	Grant Agreement 14329-6473
Compliance Requirement:	Special Tests and Provisions
State Audit Guide Finding Code:	30000 and 50000

Criteria

Assessment System Security

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

REF-6520 – California English Language Development Test (CELDT) Training for Principals and Coordinators and Electronic Submission of Test Security Forms for 2015-2016. Part 1 of Section II – Required CELDT Testing Security Forms:

Prior to the delivery of the CELDT materials to schools, the District is required by the California Department of Education (CDE) to obtain the CELDT Test Security Agreement and Affidavit forms from principals.

REF-6578.1 – 2015-16 CAASPP Security Forms, Principal's Portal Requirements, and Testing Operations Management System (TOMS) System Update:

Part I. CAASPP Requirements for Principals, Section B. Designation of the CAASPP Coordinator, Technology Coordinator and Point-of-Contract for Testing:

When designated in the Principal's Portal, the CAASPP coordinator is automatically enrolled in the 2015-16 CAASPP Security Forms Coordinator Training in the Learning Zone. This training and assessment must be completed by the coordinator before accessing CAASPP materials and before receiving a TOMS account.

Part II. CAASPP Requirements for Coordinators, Section A – CAASPP Coordinator:

LOS ANGELES UNIFIED SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

June 30, 2016

The CAASPP Coordinator should complete the “2015-16 CAASPP Security Forms Coordinator Training” and assessment by October 13, 2015 in order to gain TOMS access as soon as possible. The assessment contains all the conditions listed on the test security forms, therefore, by completing the assessment the CAASPP coordinator electronically certifies both CAASPP security forms and acknowledges all CAASPP tests security requirements.

Highly Qualified Teachers

By the end of the 2005–2006 school year, the LEA had to ensure that all teachers of core academic subjects, whether or not they work in a program supported with Title I, Part A funds, are highly qualified. “Core academic subjects” means English, reading or language arts, mathematics, science, foreign languages, civics and government, economics, arts, history, and geography. A special education teacher is a “highly qualified teacher” under the ESEA if the teacher meets the requirements for a “highly qualified special education teacher” in 34 CFR section 300.18 (Title I, Section 1119(a) of ESEA (20 USC 6319(a)); 34 CFR sections 200.55 and 200.56 (34 CFR section 200.56(d)).

States must annually report to the Federal Government information on the quality of teachers and the percentage of classes being taught by highly qualified teachers in the State, LEA, and school (Section 1111(h)(4)(G) of ESEA (20 USC 6311(h)(4)(G))); and LEAs must annually inform parents that they may request, and that the LEA will provide on request, information regarding the professional qualifications of classroom teachers (Section 1111(h)(6) of ESEA (20 USC 6311(h)(6))).

MEM-6597.0: No Child Left Behind (NCLB): Qualifications for Teachers; Parent Notification Requirements and Right to Know Procedures, and Annual Principal Certification Form. Part D – Use of Title I Funds for Teaching Positions:

Any teacher whose position is funded by Title I allocations must meet NCLB compliance and be designated as a highly qualified teacher. Only NCLB compliant teachers may be assigned to positions budgeted with Title I funds. Positions must be in the areas of language arts, math, science or social studies.

MEM-6597.0: No Child Left Behind (NCLB): Qualifications for Teachers; Parent Notification Requirements and Right to Know Procedures, and Annual Principal Certification Form. Part F – Principal Certification Form for the 2015-16 School Year:

Principals must complete and submit the Certification Form electronically no later than Monday, November 16, 2015.

Annual Report Card, High School Graduation Rate

An SEA and its LEAs must report graduation rate data for all public high schools at the school, LEA, and State levels using the 4-year adjusted cohort rate under 34 CFR section 200.19(b)(1)(i)-(iv)). Additionally, SEAs and LEAs must include the 4-year adjusted cohort graduation rate (which may be combined with an extended-year adjusted cohort graduation rate or rates) in adequate yearly progress (AYP) determinations. Graduation rate data must be reported both in the aggregate and disaggregated by each subgroup described in 34 CFR section 200.13(b)(7)(ii) using a 4-year adjusted cohort

LOS ANGELES UNIFIED SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

June 30, 2016

graduation rate. Only students who earn a regular high school diploma may be counted as a graduate for purposes of calculating the 4-year adjusted cohort graduation rate. To remove a student from the cohort, a school or LEA must confirm, in writing, that the student transferred out, emigrated to another country, or is deceased. To confirm that a student transferred out, the school or LEA must have official written documentation that the student enrolled in another school or in an educational program that culminates in the award of a regular high school diploma. A student who is retained in grade, enrolls in a General Educational Development (GED) program, or leaves school for any other reason may not be counted as having transferred out for the purpose of calculating graduation rate and must remain in the adjusted cohort (Title I, Sections 1111(b)(2) and (h) of ESEA (20 USC 6311(b)(2) and (h)); 34 CFR section 200.19(b)).

In a State that has received ESEA flexibility that includes a waiver from making AYP determinations, the SEA and its LEAs must continue to calculate and report on the 4-year adjusted cohort graduation rate.

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.

Section 9.4 of the LAUSD Attendance Manual states that schools must exercise due diligence and make every effort to locate and return L8 (Whereabouts Unknown) students to daily attendance. Every student in L8 status should be located and the reason for the absence will determine additional services that will be offered to the student and parent/guardian. The absences will be resolved and documented as follows:

- The student returns to school.
- School staff verifies that the student has enrolled in an appropriate instructional program or a request for records is received from another school or school district.

Condition

Assessment System Security

In our procedures to ascertain that the District has implemented test security measures, we obtained and reviewed the District's Reference Guides for the CELDT and CAASPP tests. In testing the District's adherence to the Reference Guides, we selected sixty (60) out of 7,083 security agreements, affidavits, and trainings that were required to be completed during the school year 2015-16, to determine whether the requirements were met prior to the administration of the CELDT and CAASPP tests at the schools. We noted exceptions for two (2) out of sixty (60) samples tested: CELDT Security Form Certificate of Completion for one (1) coordinator and CELDT Administrative Instructions for Coordinators training Certificate of Completion for one (1) coordinator were completed after the first test date. For these two (2) personnel, the District was unable to provide physical or electronic confirmation that the forms and training were completed prior to the first test date. As a result, we were unable to determine whether they met the compliance requirements.

Our sample was a statistically valid sample.

LOS ANGELES UNIFIED SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

June 30, 2016

Highly Qualified Teacher

In our procedures to verify the District's compliance with the highly qualified teachers' parent notification requirement and submission of Principal Certification Form within the District's internal timeframe, we obtained a log maintained by the Certified Workforce Management and Qualification Division (Division) to track the status of Principal Certification Form submission and noted that 10 out of 676 schools had not submitted the annual Principal Certification Form as required by MEM-6597.0.

In addition, we sampled sixty (60) Principal Certification Forms that were submitted to the Division and noted that thirty-five (35) certifications out of sixty (60) tested were dated after the District's internal timeline of November 16, 2015:

- 10 to 30 days late: 1 school
- 31 to 60 days late: 4 schools
- 61 to 90 days late: 30 schools

Lastly, we noted that at two (2) schools where the Principal certified that all teachers assigned to teach a core academic subject were highly qualified, three (3) teachers assigned to teach a core academic subject were not highly qualified.

Our sample was a statistically valid sample.

Annual Report Card, High School Graduation Rate

We sampled a total of sixty-five (65) out of 133,190 students with leave codes in the school year 2014-2015 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 four (4) schools provided documentation that did not support the leave code and reason code entered into MISIS:

Leave Code/Reason per MISIS	Leave Code/Reason per Support
L3,47	L7*
L4,48	L8,81
L5,23	L4*
L4,38	L3*

* Reason code could not be determined per support provided for review.

LOS ANGELES UNIFIED SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

June 30, 2016

2. One (1) school performed due diligence as required for one (1) student entered as L8,81 “unknown” but failed to update MISIS to reflect the appropriate leave code of L2, “student transfers to another LAUSD school”.

Our sample was a statistically valid sample.

Cause and Effect

Assessment System Security

The District has policies and procedures in place to implement test security measures as demonstrated by the Reference Guides. The condition appears to be an internal control deficiency where personnel did not follow the District’s policies and procedures.

This finding is a repeat finding and has been reported previously for June 30, 2015 (F-2015-007).

Highly Qualified Teacher

The untimely submissions were due to Principals at schools noted above submitting documentation late.

The Certifications not received were due to the Principal at schools noted above failing to submit the required documentation.

For the two (2) schools where the Principal certified that all teachers assigned to an NCLB core subject were highly qualified when three (3) teachers assigned to an NCLB core subject were not highly qualified; these were isolated incidents due to school site staff oversight.

This finding is a repeat finding and has been reported previously for June 30, 2015 (F-2015-007).

Annual Report Card, High School Graduation Rate

This appears to be incidences where school site staff did not follow District policies and procedures.

LOS ANGELES UNIFIED SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

June 30, 2016

Questioned Costs

Assessment System Security

Not applicable. This finding is considered a programmatic non-compliance issue as well as a deficiency in the internal control over monitoring and maintaining the CELDT and CAASPP Security Forms.

Highly Qualified Teachers

The finding related to the Principal Attestation is a programmatic non-compliance issue and it does not constitute any questioned costs.

Annual Report Card, High School Graduation Rate

Not applicable. This finding is considered a programmatic non-compliance issue as well as a deficiency in the internal control system regarding training the personnel who are assigned to maintain the accuracy of student records.

Recommendation

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.

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

Assessment System Security

Background:

The Student Testing Branch has processes and procedures in place to collect security documents for each testing program prior to the delivery of testing materials to schools. Initially, principals electronically certify the affidavits and agreements in the Principal's Portal. Coordinators electronically certify security documents by completing the security forms training and taking an assessment in the Learning Zone.

LOS ANGELES UNIFIED SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

June 30, 2016

After the initial electronic certification, principals and coordinators are required to read, agree to, and sign a hard copy of the security affidavit and security agreement for each testing program. Coordinators are then required to submit a copy of the signed security documents to their designated Testing Center.

Corrective Action Plan to Address the Deficiencies:

As a result of the findings and recommendations, the following corrective action plan will be implemented by the Student Testing Branch.

1. **Collection of CAASPP Security Documents**

For the 2016-17 school year, the Student Testing Branch will collect security documents during the fall semester, before the administration of the Smarter Balanced Summative Assessments and CAASPP Paper-Pencil Tests are administered. Security documents will be collected from CAASPP Coordinators when they attend the Smarter Balanced Coordinator Training.

2. **Collection of CELDT Security Documents**

Because materials for the CELDT testing program had been released to schools for the 2015-16 school year, some elements of the corrective action plan were not fully implemented in time. The full implementation of the plan started in the 2016-17 school year where the Student Testing Branch required that principals certify and coordinators sign their security documents before materials are released to schools.

Implementation of the Corrective Action Plan:

1. **CAASPP Regulatory Requirements**

- CAASPP Test Security Agreement: The CAASPP Test Site Coordinator shall sign the CAASPP Test Security Agreement before receiving any of the test materials.
- CAASPP Test Security Affidavit: The CAASPP Test Site Coordinator should sign a CAASPP Test Security Affidavit to acknowledge the limited purpose of their access to the tests.

The Student Testing Branch will continue using the Principal's Portal and the Learning Zone for principals and test site coordinators (respectively) to electronically certify their security documents.

Signed security documents for the CAASPP program will be collected in the fall.

Security documents for principals and coordinators who are unable to attend the fall informational meeting will be obtained by the designated Testing Center. Testing Center Staff will contact schools to collect security documents. Security documents will be collected before schools leave for the winter break.

2. **CELDT Regulatory Requirements**

- CELDT Security Agreement: The CELDT coordinator is required to sign the test security agreement prior to the receipt of test materials.

LOS ANGELES UNIFIED SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

June 30, 2016

- CELDT Security Affidavit: The CELDT coordinator is required to sign the test security affidavit prior to the receipt of test materials.

Currently, the Student Testing Branch requires the principal to electronically certify the CELDT security documents in the Principal's Portal before materials are delivered to schools. Although CELDT coordinators are instructed in trainings and reference guides not to access CELDT materials until they have signed both CELDT security documents, verification does not occur until the school requests additional CELDT materials.

The Student Testing Branch will continue using the Principal's Portal and the Learning Zone for principals and CELDT coordinators (respectively) to electronically certify their security documents. Both coordinators and principals are required to certify their security documents before materials are delivered to the school.

To accomplish the goal of collecting security documents from CELDT coordinators, the Student Testing Branch will work in collaboration with Local District English Learner Program staff. CELDT security documents for coordinators will be collected when CELDT coordinators attend the mandatory CELDT Test Examiner Training conducted by the Local District.

Security documents from principals and CELDT coordinators who are unable to attend the CELDT Test Examiner Training will be obtained by the designated Testing Center. Testing Center Staff will contact schools to collect security documents before materials are delivered to schools.

Monitoring the Progress and Implementation of the Corrective Action Plan:

The Student Testing Branch Administrative staff will:

- A. monitor the electronic certification of security documents for CAASPP and CELDT.
- B. coordinate with Local District English Learner staff for the collection of CELDT security documents.
- C. supervise the collection of security documents from principals and coordinators by each Testing Center.
- D. coordinate the release of CAASPP and CELDT materials by the Testing Warehouse only to schools where the principal and the coordinator have certified their security documents.

Moving Forward:

During the 2016-17 school year, the Student Testing Branch worked with program managers in the Principal's Portal and the Learning Zone to streamline the online certification and collection of security documents from principals and coordinators.

Name: Cynthia Lim

Title: Office of Data and Accountability

Telephone: (213) 241-2460

LOS ANGELES UNIFIED SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

June 30, 2016

Highly Qualified Teacher

The Every Student Succeeds Act (ESSA) replaced No Child Left Behind effective July 1, 2016. ESSA monitoring related to parent notification will begin in the 2017-2018 academic year. District staff is currently working with the MISIS team to implement an electronic Principal Certification Form.

Name: Luz Ortega

Title: Coordinator, Credentials, Contract and Compliance Services

Telephone: (213) 241-5349

Name: Tracy Calderon

Title: Supervisor, Support Services

Telephone: (213) 241-2038

Annual Report Card, High School Graduation Rate

Student Health and Human Services will work with all responsible divisions to develop training modules for staff that focus on accurate record keeping for enrollment, attendance and student withdrawals.

Name: Ms. Erika Torres

Title: Executive Director, Student Health and Human Services

Telephone: (213) 241-3840

LOS ANGELES UNIFIED SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

June 30, 2016

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

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 three (3). SMASRs are system-generated reports from the District's My Integrated Student Information System (MISIS), a system utilized by the teachers to electronically input, submit and certify student attendance on a daily basis. We verified whether these SMASRs were reported accurately in the *Second Principal Report (P2)* and the *Annual Principal Report (P3)*. We obtained the monthly statistical reports where all the SMASRs are summarized, for our sampled schools and we verified whether the SMASRs were completely and accurately summarized. We then traced these monthly statistical reports to the Attendance Ledgers, which in turn were traced to the *Second Principal Report (P2)* and the *Annual Principal Report (P3)*.

To test the integrity of the data reported in the sampled SMASRs, we selected a sample of absences from notes, phone logs and other absence records and compared them to the SMASRs, to verify that they were not included in the calculation of Average Daily Attendance reported in the P2. In addition, since the SMASRs are generated through MISIS, we also tested the system's general internal controls which included, but were not limited to appropriate access controls.

We selected a sample of 51,252 days of attendance and 1,666 days of absences for testing and noted the following findings:

- **7th Street Elementary School** - Out of the 1,775 days of attendance and 88 days of absences sampled, we noted the following exception:

LOS ANGELES UNIFIED SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

June 30, 2016

- One (1) student was absent for a total of one (1) day, as evidenced by an absence note but was marked as present in the school's monthly attendance summary. The school updated MISIS to reflect the students as absent subsequent to P2 reporting and subsequent to providing the SMASRs. As MISIS has been updated to reflect the correct attendance of the students, which will be included in the revised P2 to be submitted in the Fall of 2016, this will not lead to questioned costs.
- **Leland Street Elementary School** – Out of the 2,424 days of attendance and 99 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.
- **Oxnard Street Elementary School** – Out of the 1,945 days of attendance and 102 days of absences sampled, we noted the following exceptions:
 - One (1) student was absent for a total of one (1) day, as evidenced by an absence note but was marked as present in the school's monthly attendance summary.
- **Plummer Elementary School** – Out of the 3,277 days of attendance and 100 days of absences sampled, we noted the following exceptions:
 - One (1) student was absent for a total of one (1) day, as evidenced by an absence note but was marked as present in the school's monthly attendance summary.

These findings are repeat findings, having been reported previously at June 30, 2015 (S-2015-001) but for different schools.

Questioned Costs

- Grades K-3 - $3 \text{ days} / 140 \text{ days} = 0.02 \text{ ADA overstated} * \$10,258 = \$205$
- Leland Street Elementary School
 - 1 Grade K-3 day overstated/140 days in single track school year
- Oxnard Street Elementary School
 - 1 Grade K-3 day overstated/140 days in single track school year
- Plummer Elementary School
 - 1 Grade K-3 day overstated/140 days in single track school year

Recommendation

We recommend that the District continue to strengthen its controls over implementing District policies over student attendance reporting. Furthermore, we recommend that the District continue to provide adequate attendance reporting training to the schools, so that proper attendance reporting procedures are adhered to.

LOS ANGELES UNIFIED SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

June 30, 2016

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-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

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 three (3). SMASRs are system-generated reports from the District's My Integrated Student Information System (MISIS), a system utilized by the teachers to electronically input, submit and certify student attendance on a daily basis. We verified whether these SMASRs were reported accurately in the *Second Principal Report (P2)* and the *Annual Principal Report (P3)*. We obtained the monthly statistical reports where all the SMASRs are summarized, for our sampled schools and we verified whether the SMASRs were completely and accurately summarized. We then traced these monthly statistical reports to the Attendance Ledgers, which in turn were traced to the *Second Principal Report (P2)* and the *Annual Principal Report (P3)*.

To test the integrity of the data reported in the sampled SMASRs, we selected a sample of absences from notes, phone logs and other absence records and compared them to the SMASRs, to verify that they were not included in the calculation of Average Daily Attendance reported in the P2. In addition, since the SMASRs are generated through MISIS, we also tested the system's general internal controls which included, but were not limited to appropriate access controls.

LOS ANGELES UNIFIED SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

June 30, 2016

We selected a sample of 34,180 days of attendance and 1,377 days of absences from the District's secondary schools for testing and noted the following findings:

- **Samuel Gompers Middle School** - Out of the 1,368 days of attendance and 83 days of absences sampled, we noted the following exceptions:
 - Two (2) students were absent for a total of four (4) days, as evidenced by absence notes but were marked as present in the school's monthly attendance summary.
- **Diego Rivera Learning Complex Public Service Community** - Out of the 2,560 days of attendance and 112 days of absences sampled, we noted the following exceptions:
 - Four (4) students were absent for a total of four (4) days, as evidenced by absence notes but were marked as present in the school's monthly attendance summary.
- **Eagle Rock High School** - Out of the 6,112 days of attendance and 228 days of absences sampled, we noted the following exceptions:
 - 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.
- **Narbonne Senior High – Humanities & Arts Academy of Los Angeles** - Out of the 2,019 days of attendance and 44 days of absences sampled, we noted the following exception:
 - Two (2) students were absent for a total of four (4) days, as evidenced by absence notes, but were recorded as present in the school's monthly attendance summary.
- **Theodore Roosevelt Senior High** – Out of the 5,046 days of attendance and 302 days of absences sampled, we noted the following exception:
 - Three (3) students were absent for a total of four (4) days, as evidenced by absence notes, but were recorded as present in the school's monthly attendance summary. The school updated MISIS to reflect the students as absent subsequent to P2 reporting and subsequent to providing the SMASRs. As MISIS has been updated to reflect the correct attendance of the students, which will be included in the revised P2 to be submitted in the Fall of 2016, this will not lead to questioned costs.

These findings are repeat findings, having been reported previously at June 30, 2015 (S-2015-002) but for different schools.

Questioned Costs

District's secondary schools:

- Grades 4-6 - 1 day / 140 days = 0.01 ADA overstated * \$9,430 = \$94
- Grades 7-8 - 4 days / 140 days = 0.03 ADA overstated * \$9,711 = \$291
- Grades 9-12 - 12 days / 140 days = 0.09 ADA overstated * \$11,545 = \$1,039

LOS ANGELES UNIFIED SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

June 30, 2016

- Samuel Gompers Middle School
 - 1 Grade 4-6 day overstated/140 days in single track school year
 - 3 Grade 7-8 days overstated/140 days in single track school year
- Diego Rivera Learning Complex Public Service Community
 - 4 Grade 9-12 days overstated/140 days in single track school year
- Eagle Rock High School
 - 1 Grade 7-8 day overstated/140 days in single track school year
 - 4 Grade 9-12 days overstated/140 days in single track school year
- Narbonne Senior High – Humanities & Arts Academy of Los Angeles
 - 4 Grade 9-12 days overstated/140 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-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

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

LOS ANGELES UNIFIED SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

June 30, 2016

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.

LOS ANGELES UNIFIED SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

June 30, 2016

We tested a total of 213 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:

- Carson Senior High School - Academy of Medical Arts – 1 teacher was assigned to teach in a position not consistent with the authorization of his/her certification.
- San Fernando Middle School Institute of Applied Media (SFIAM) – 1 teacher was assigned to teach in a position not consistent with the authorization of his/her certification.
- Theodore Roosevelt Senior High School –
 - o 1 teacher was assigned to teach in a position not consistent with the authorization of his/her certification.
 - o 1 teacher was assigned to teach in a course in which more than 20% of the pupils were English learners, but did not hold a valid certification throughout the entirety of the school year. The teacher's certification which expired on October 1, 2015, and was later renewed on September 1, 2016.

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

HR staff continues to work on attaining 100% compliance by expanding our training of school site, local district and central office staff as it relates to assignment monitoring. Trainings have been held on April 6, 2016; April 25, 2016; May 25, 2016; and September 14, 2016 (and we continue to do outreach) to support administrators/designees who are responsible for creating master schedules in expanding their knowledge of credentials, authorizations and appropriate assignments. HR is also focused on training central office staff who support these school site administrators/designees (ex. Counseling Coordinators training on September 8, 2016). Notifications to school sites with misassignments are now also being communicated to Local District personnel (Administrators of Instruction and Counseling Coordinators), in addition to the principals, in order to provide as much support as possible to the school sites in remedying misassignments efficiently and with as minimal impact to the instructional program as possible. Additionally, HR staff will continue to monitor assignments and provide support to administrators during the process of remedying misassignments.

LOS ANGELES UNIFIED SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

June 30, 2016

S-2016-004 – Kindergarten Continuance

State Audit Guide Finding Codes: 40000

School Affected

- Towne Avenue Elementary School

Criteria

California Education Code, Section 46300 - In computing the average daily attendance of a school district, there shall be included the attendance of pupils in kindergarten after they have completed one school year in kindergarten only if the school district has on file for each of those pupils an agreement made pursuant to Section 48011, approved in form and content by the State Department of Education and signed by the pupil's parent or guardian, that the pupil shall be retained in kindergarten for not more than an additional school year.

Condition, Cause and Effect

Using the same 23 elementary schools sampled for attendance reporting, we selected students enrolled in kindergarten for school year 2015-16 and kindergarten in school year 2014-15 and verified that a signed kindergarten continuance parental agreement (Agreement) was maintained. We noted the following exception:

- Towne Avenue Elementary School – A signed Agreement was not on file before the start of the school year for one (1) student.

Questioned Costs

\$10,155 (0.99 total ADA overstated x \$10,258)

- Towne Avenue Elementary School
 - 178 days overstated / 179 days in single track school year = 0.99 ADA

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.

Views of Responsible Officials and Planned Corrective Actions

In order to more clearly delineate the Kindergarten continuance policy from Transitional Kindergarten policies the Office of Elementary Instruction developed a reference guide, published in September 2016, specifically to provide elementary schools with the necessary instructions and forms for kindergarten continuance parental agreement. In addition to publishing the reference guide in the

LOS ANGELES UNIFIED SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

June 30, 2016

digital library, "Inside LAUSD," formal notification was sent directly to each elementary school principal in the Principals' Brief.

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 AEW C
- Belvedere Learning Center AEW C

Criteria

California Education Code, Section 51747 - A school district or county office of education shall not be eligible to receive apportionments for independent study by pupils, regardless of age, unless it has adopted written policies, and has implemented those policies, pursuant to rules and regulations adopted by the Superintendent:

Section 51747.8 (A) - Each written agreement shall be signed, before the commencement of independent study, by the pupil, the pupil's parent, legal guardian, or caregiver, if the pupil is less than 18 years of age, the certificated employee who has been designated as having responsibility for the general supervision of independent study, and all persons who have direct responsibility for providing assistance to the pupil.

Condition, Cause and Effect

In our sample of two (2) schools with independent study programs, we noted the following:

- **Maxine Waters AEW C** – Two (2) pupil's under 18 years of age did not obtain a parent, legal guardian, or caregiver's signature on their master agreement before the commencement of independent study. One (1) pupil attended the program for 37 days, and One (1) other pupil attended the program for 9 days before turning 18 years of age.
- **Belvedere Learning Center AEW C** – One (1) pupil under 18 years of age did not obtain a parent, legal guardian, or caregiver's signature on their master agreement. The pupil attended the program for 9 days before turning 18 years of age.

Questioned Costs

District's independent study schools:

- Grades 9-12 - 55 days / 140 days = 0.39 ADA overstated * \$11,545 = \$4,503
 - Maxine Waters AEW C
 - 46 Grade 9-12 days overstated/140 days in single track school year

LOS ANGELES UNIFIED SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

June 30, 2016

- Belvedere Learning Center AEW
- 9 Grade 9-12 days overstated/140 days in single track school year

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.

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, including the proper completion of master agreements.

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 | • Miles Avenue Elementary |
| • Barton Hill Elementary | • Orville Wright Engineering and Design Magnet |
| • Budlong Avenue Elementary | • Park Western Place Elementary |
| • Danube Avenue Elementary | • San Gabriel Avenue Elementary |
| • Ernest Lawrence Middle School | • Stanford Avenue Elementary |
| • George Washington Carver Middle School | • Thomas A Edison Middle School |
| • Gulf Avenue Elementary | • Walter Reed Middle School |
| • Harmony Elementary School | • William Jefferson Clinton Middle School |
| • Hollenbeck Middle School | • William R Anton Elementary |
| • Los Angeles Academy Middle School | • Wilmington Middle School |
| • Luther Burbank Middle School | • Wisdom Elementary |
| • Maywood Elementary School | • Young Oak Kim Academy |

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

LOS ANGELES UNIFIED SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

June 30, 2016

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 48 schools and 4,753 days of attendance for students who participated in the After School Education and Safety Program. We examined the attendance records for the selected students and verified whether the attendance reporting was complete and accurate. We also verified whether the selected students complied with the attendance requirements established by the District, as required by the California Education Code. We noted the following exceptions:

After School Component of the Program

On a sample basis, we tested the attendance documentation of 40 schools and 3,995 days of attendance in the after school component of the After School Education and Safety Program.

There were 44 students in 21 schools that did not comply with the established early release policy. As a result, the following elementary schools had students that did not participate in the full day of the after school program on every day during which pupils participated, and the following middle schools had students that participated less than nine hours a week and three days a week:

LOS ANGELES UNIFIED SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

June 30, 2016

- **96th Street Elementary** – Five (5) students did not participate in the full period of the after school program for a total of eight (8) days that they participated and there were no properly filled out early release form to explain why such requirement was not complied with.
- **Barton Hill Elementary** – One (1) student 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 filled out early release forms to explain why such requirement was not complied with.
- **Budlong 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.
- **Danube Avenue Elementary** – Two (2) students did not participate in the full period of the after school program for a total of three (3) days that they participated and there were no properly filled out early release form to explain why such requirement was not complied with.
- **Ernest Lawrence Middle School** – Four (4) students did not participate in the full period of the after school program for a total of eight (8) days that they participated and there were no properly filled out early release form to explain why such requirement was not complied with.
- **Gulf Avenue Elementary** – Three (3) students did not participate in the full period of the after school program for a total of fourteen (14) days that they participated and there were no properly filled out early release form to explain why such requirement was not complied with.
- **Harmony Elementary School** – One (1) student 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 filled out early release forms to explain why such requirement was not complied with.
- **Hollenbeck Middle School** – Three (3) 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 form to explain why such requirement was not complied with.
- **Los Angeles Academy Middle School** – 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.
- **Luther Burbank Middle School** – 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.

LOS ANGELES UNIFIED SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

June 30, 2016

- **Maywood Elementary School** – Two (2) 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 form to explain why such requirement was not complied with.
- **Miles Avenue Elementary** – One (1) student 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 filled out early release forms to explain why such requirement was not complied with.
- **Orville Wright Engineering and Design Magnet** – Three (3) students did not participate in the full period of the after school program for a total of three (3) days that they participated and there were no properly filled out early release form to explain why such requirement was not complied with.
- **Park Western Place Elementary** – 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 form to explain why such requirement was not complied with.
- **San Gabriel Avenue Elementary** – 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 form to explain why such requirement was not complied with.
- **Stanford 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.
- **Walter Reed Middle School** – 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.
- **William R Anton 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.
- **Wilmington Middle School** – Two (2) students did not participate in the full period of the after school program for a total of two (2) days that they participated and there were no properly filled out early release form to explain why such requirement was not complied with.
- **Wisdom 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.

LOS ANGELES UNIFIED SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

June 30, 2016

- **Young Oak Kim Academy** – 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.

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 2015-2016. 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:

- **George Washington Carver Middle School**– MAR was understated by one (1) day, compared to the ASES Attendance Report.
- **Los Angeles Academy Middle School** - Three (3) students were marked absent for a total of six (6) days on the sign-in sheet but marked present on the MAR.
- **Luther Burbank Middle School** - MAR was overstated by five (5) days, compared to the ASES Attendance Report.
- **Thomas A Edison Middle School** – One (1) student was marked absent for a total of one (1) day on sign-in sheet but marked present on the MAR.
- **William Jefferson Clinton Middle School**– One (1) student was marked absent for a total of one (1) day on sign-in sheet but marked present on the MAR.
- **Young Oak Kim Academy** – MAR was understated by two (2) days, compared to the ASES Attendance Report. In addition, one (1) student was marked present for a total of one (1) day on sign-in sheet but marked absent on the MAR.

Questioned Costs

As a result of our testing, the over and under reporting of attendance were summarized in the Condition, Cause and Effect section above. The California Department of Education will determine the impact of the above exceptions on the After School Education and Safety Program funding if there is any.

Recommendation

We recommend that the District strengthen its procedures on attendance documentation for the After School Education and Safety program. The District should ensure that the agencies performing the services for these programs are aware of the District's policies, specifically on maintaining accurate attendance records. We also recommend for the District to continue performing agency visits to ensure compliance with the established policies.

Views of Responsible Officials and Planned Corrective Actions

Beyond The Bell Branch agrees with the finding. Consequently we will continue to implement the following procedures to ensure that we are providing training on attendance

LOS ANGELES UNIFIED SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

June 30, 2016

reporting and early daily release of pupils policies and procedures as well as how we are monitoring how the procedures are being implemented at the sites to ensure documentation of reported attendance figures is readily available and accurate for auditing purposes.

1. Agency contractors and program personnel are required to attend a “Start-Up Meeting” scheduled prior to the beginning of the school year. During the “Start-Up Meeting,” extensive time is spent on training staff on the importance of properly documenting and maintaining accurate attendance and early daily release of pupils.
2. Beyond the Bell Branch Administrators and Traveling Supervisors attend the training meeting and interject their role in monitoring attendance procedures as they travel to sites. Beyond the Bell staff routinely monitor attendance and early daily release of pupils to ensure procedures are being used and documentation is maintained as required.
3. Contractors and agency program personnel are required to attend an annual “Policies and Procedures/Risk Management” training. Currently, the training is offered on a monthly basis. Newly hired personnel must register for and attend the next available training date. Returning personnel must register for and attend the training during the fiscal year.
4. The following “Policies and Procedures/Risk Management” training dates are scheduled for the 2016 – 2017 year (NOTE: Attendance Documentation and Early Daily Release of Pupils has been implemented as a result of previous audit findings):
 - 08/01/16, 08/02/16, 08/08/16, 09/15/16, 10/13/16, 11/16/16, 12/01/16, 01/25/17, 02/11/17, 03/16/17, 04/05/17, 05/09/17
5. Contractors and agency program personnel are invited to attend a Federal Program Monitoring (FPM) training. The FPM training reflects the CDE’s Program Dimensions. The goal of this training is to offer personnel a best practices approach to running exemplary programs that comply with the requirements in the Education Code. Extensive training on “attendance documentation” and “early daily release of pupils” is offered during this meeting.
 - Beyond The Bell Branch conducts “site visits” to monitor program quality and student attendance/early daily release of pupils through:
 - a. Field Office Administrators
 1. Certificated Administrators conduct site visits to evaluate and monitor agency program implementation. Attendance and early daily release of pupils documentation is closely monitored during these site visits.
 - b. Field Office Traveling Playground Supervisors
 1. Classified/Unclassified Traveling Playground Supervisors conduct weekly visits to evaluate and monitor agency program implementation. Attendance and early daily release of pupils documentation is closely monitored during these site visits.
 - c. Central Office Administrators
 1. Central Office Administrators conduct site visits to evaluate and monitor agency program implementation. In addition to program

LOS ANGELES UNIFIED SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

June 30, 2016

quality and compliance, attendance and early daily release of pupils documentation is closely monitored during these site visits.

6. Beyond the Bell Branch conducts “Random Reviews/Audits of Monthly Attendance Reports” to examine agency sign-in/sign-out procedures. The agency’s “Attendance and early daily release of pupils Documentation” procedures are further evaluated to ensure the agency’s record keeping corresponds to data submitted to Beyond the Bell. In addition, evaluation of these documents ensures they:
 1. Comply with Beyond the Bell’s “Early Release Policy.”
 2. Verify the sign-in/sign-out forms are certified by Site Coordinator.
 3. Contain Student ID Numbers.
7. To ensure the documentation for the After School Education and Safety Programs (ASES) accurately reflects the number of students served and reported to the California Department of Education by the District, Beyond the Bell Branch contracted with City-Span Technologies Incorporated (A nationally recognized service firm which specializes in administering online attendance monitoring programs.) to administer an online attendance reporting and monitoring system. Beyond the Bell Branch through our needs assessments and evaluations recognized the need to strengthen our internal controls to ensure attendance and early daily release of pupils data is compiled and reported accurately. Furthermore, Beyond the Bell Branch recognizes the need to maintain sufficient documentation for the reconciliation between the District’s Quarterly Attendance Reports (QAR) and information submitted to the California Department of Education. Consequently, Beyond the Bell’s gathering of attendance and early daily release of pupils data and reporting procedures has evolved. As a result of the current and previous audit findings, the following system and procedures have been implemented:
 - Monitoring has been strengthened from quarterly to monthly and all contractors and staff are now required to submit attendance documentation monthly which has resulted in more accurate attendance reporting to the CDE.
 - Beyond the Bell issues a current “Alpha Roster” containing student identification numbers to agencies. Prior to this practice, agencies were responsible for obtaining student identification numbers from schools. Frequently, the information was outdated or incomplete.
 - Beyond the Bell continues the process of reviewing agency’s Sign-in/Sign-out Rosters to ensure required information is recorded on a daily basis. Upon review of agency documents, Beyond the Bell Branch will develop an attendance and early daily release of pupils documentation training scheduled for implementation for the 2017 – 2018 year.
 - Agencies submit their attendance electronically through a secured website to City-Span Technologies Incorporated.
 - A discrepancy report is issued to agencies requesting them to make corrections of errors when they are identified.

LOS ANGELES UNIFIED SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

June 30, 2016

- Agencies correct and resubmit the reports and discrepancies are fixed in attendance reports.
- The reporting of attendance to the California Department of Education (CDE) is accomplished on-line bi-annually through ASSIST through close collaboration with CDE's technical staff to ensure accurate transfer of the information.
- As a result of the volume generated by Beyond the Bell programs, the CDE has approved the submission of attendance through an EXCEL program via e-mail. Personnel at CDE then upload the data into ASSIST. Once the data is in the system, the Beyond the Bell designee approves the data submitted.

We will continue to monitor these changes in protocol to ensure that the procedures are followed and all information is reported accurately and documented as necessary for auditing purposes. Should problems arise in any area for contractors or staff, Beyond the Bell will alter and refine the process accordingly to ensure continuous improvement in operations.

LOS ANGELES UNIFIED SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

June 30, 2016

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

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

LOS ANGELES UNIFIED SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

June 30, 2016

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.

LOS ANGELES UNIFIED SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

June 30, 2016

- 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 12 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 171 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:

- **Angeles Mesa Elementary School** - Out of the 14 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 90 days before receiving the 2nd dose.
 - One (1) pupil received the 1st dose but never received the required 2nd dose during the school year. 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 159 days during the school year.

LOS ANGELES UNIFIED SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

June 30, 2016

- **Haynes Charter for Enriched Studies** - 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 55 days before receiving the 2nd dose.
- **Leo Politi Elementary School** - Out of the 29 pupils sampled, we noted the following exception:
 - One (1) pupil did not receive the required 1st and 2nd doses during the school year, and was marked present in the school's monthly attendance summary for a total of 167 days.
- **Lovelie P Flournoy Elementary School** - Out of the 19 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 100 days before receiving the 2nd dose.
- **Menlo Avenue Elementary School** - Out of the 16 pupils sampled, we noted the following exception:
 - One (1) pupil did not receive the required 1st and 2nd doses during the school year, and was marked present in the school's monthly attendance summary for a total of 101 days.

For the 122 schools identified as reporting a conditional admission rate greater than 25 percent in Kindergarten to the CDPH, we selected a sample of 927 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:

- **6th Avenue Elementary School** - Out of the 12 pupils sampled, we noted the following exception:
 - One (1) pupil received the 1st dose but never received the required 2nd dose during the school year. 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 149 days during the school year.
- **52nd Street Elementary School** - Out of the 14 pupils sampled, we noted the following exception:
 - One (1) pupil received the 1st dose but never received the required 2nd dose during the school year. The pupil received the 1st dose before the first day of school, and was

LOS ANGELES UNIFIED SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

June 30, 2016

marked present in the school's monthly attendance summary for a total of 174 days during the school year.

- **68th Street Elementary School** - Out of the 17 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 80 days before receiving the 2nd dose.
- **74th Street Elementary School** - Out of the 9 pupils sampled, we noted the following exceptions:
 - Two (2) pupils received the 1st dose but never received the required 2nd dose during the school year. The pupils received the 1st dose before the first day of school, and were marked present in the school's monthly attendance summary for a total of 335 days during the school year.
- **96th Street Elementary School** - Out of the 11 pupils sampled, we noted the following exception:
 - One (1) pupil received the 1st dose but never received the required 2nd dose during the school year. 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 177 days during the school year.
- **186th Street Elementary School** - Out of the 11 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 83 days before receiving the 2nd dose.
- **Alta Loma Elementary School** - Out of the 8 pupils sampled, we noted the following exception:
 - One (1) pupil received the 1st dose but never received the required 2nd dose during the school year. 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 160 days during the school year.
- **Buchanan Street Elementary School** - Out of the 6 pupils sampled, we noted the following exception:
 - One (1) pupil received the 1st dose but never received the required 2nd dose during the school year. 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 167 days during the school year.

LOS ANGELES UNIFIED SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

June 30, 2016

- **Carson Street Elementary School** - Out of the 12 pupils sampled, we noted the following exception:
 - One (1) pupil did not receive the required 1st and 2nd doses during the school year, and was marked present in the school's monthly attendance summary for a total of 169 days.
- **Castle Heights Elementary School** - Out of the 12 pupils sampled, we noted the following exceptions:
 - One (1) pupil did not receive the required 1st and 2nd doses during the school year, and was marked present in the school's monthly attendance summary for a total of 160 days.
 - Two (2) pupils received the 1st dose but never received the required 2nd dose during the school year. The pupils received the 1st dose before the first day of school, and were marked present in the school's monthly attendance summary for a total of 339 days during the school year.
- **Cesar Chavez Elementary School** - Out of the 2 pupils sampled, we noted the following exception:
 - One (1) pupil received the 1st dose but never received the required 2nd dose during the school year. 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 165 days during the school year.
- **Cimarron Avenue Elementary School** - Out of the 4 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 81 days before receiving the 2nd dose.
- **Clover Avenue Elementary School** - Out of the 14 pupils sampled, we noted the following exceptions:
 - Two (2) pupils received the 1st dose but never received the required 2nd dose during the school year. The pupils received the 1st dose before the first day of school, and were marked present in the school's monthly attendance summary for a total of 333 days during the school year.
- **Coeur D Alene Avenue Elementary School** - Out of the 13 pupils sampled, we noted the following exception:
 - One (1) pupil received the 1st dose but never received the required 2nd dose during the school year. 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 167 days during the school year.

LOS ANGELES UNIFIED SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

June 30, 2016

- **Dolores Street Elementary School** - Out of the 9 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 93 days before receiving the 2nd dose.
- **Gardner Street Elementary School** - Out of the 5 pupils sampled, we noted the following exception:
 - One (1) pupil did not receive the required 1st and 2nd doses during the school year, and was marked present in the school's monthly attendance summary for a total of 168 days.
- **Grape Street Elementary School** - Out of the 8 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 96 days before receiving the 2nd dose.
- **Griffin Avenue Elementary School** - Out of the 10 pupils sampled, we noted the following exception:
 - One (1) pupil received the 1st dose but never received the required 2nd dose during the school year. 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 166 days during the school year.
- **Harvard Elementary School** - Out of the 10 pupils sampled, we noted the following exception:
 - One (1) pupil did not receive the required 1st and 2nd doses during the school year, and was marked present in the school's monthly attendance summary for a total of 177 days.
- **Hillcrest Drive Elementary School** - Out of the 10 pupils sampled, we noted the following exceptions:
 - Two (2) pupils received the 1st dose but never received the required 2nd dose during the school year. The pupils received the 1st dose before the first day of school, and were marked present in the school's monthly attendance summary for a total of 328 days during the school year.
- **Huntington Park Elementary School** - Out of the 8 pupils sampled, we noted the following exception:

LOS ANGELES UNIFIED SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

June 30, 2016

- 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 86 days before receiving the 2nd dose.
- **Gerald A Lawson Academy of the Arts Math Science Elementary School** - Out of the 9 pupils sampled, we noted the following exception:
 - One (1) pupil received the 1st dose but never received the required 2nd dose during the school year. 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 150 days during the school year.
- **Loyola Village Elementary School** - Out of the 3 pupils sampled, we noted the following exception:
 - One (1) pupil received the 1st dose but never received the required 2nd dose during the school year. 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 176 days during the school year.
- **Manhattan Place Elementary School** - Out of the 6 pupils sampled, we noted the following exceptions:
 - Two (2) pupils received the 1st dose but never received the required 2nd dose during the school year. The pupils received the 1st dose before the first day of school, and were marked present in the school's monthly attendance summary for a total of 326 days during the school year.
- **Montara Avenue Elementary School** - Out of the 12 pupils sampled, we noted the following exceptions:
 - One (1) pupil did not receive the required 1st and 2nd doses during the school year, and was marked present in the school's monthly attendance summary for a total of 164 days.
 - Two (2) pupils received the 1st dose but never received the required 2nd dose during the school year. The pupils received the 1st dose before the first day of school, and were marked present in the school's monthly attendance summary for a total of 345 days during the school year.
- **Pacific Boulevard Elementary School** - Out of the 9 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 109 days before receiving the 2nd dose.

LOS ANGELES UNIFIED SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

June 30, 2016

- **Palisades Charter Elementary School** - Out of the 8 pupils sampled, we noted the following exception:
 - One (1) pupil received the 1st dose but never received the required 2nd dose during the school year. 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 170 days during the school year.
- **Raymond Avenue Elementary School** - Out of the 11 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 97 days before receiving the 2nd dose.
 - One (1) pupil received the 1st dose but never received the required 2nd dose during the school year. 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 175 days during the school year.
- **Short Avenue Elementary School** - Out of the 4 pupils sampled, we noted the following exception:
 - One (1) pupil received the 1st dose but never received the required 2nd dose during the school year. 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 113 days during the school year.
- **Van Deene Avenue Elementary School** - Out of the 6 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 98 days before receiving the 2nd dose.
- **Virginia Road Elementary School** - Out of the 6 pupils sampled, we noted the following exception:
 - One (1) pupil did not receive the required 1st and 2nd doses during the school year, and was marked present in the school's monthly attendance summary for a total of 165 days.
- **Wilshire Crest Elementary School** - Out of the 5 pupils sampled, we noted the following exception:
 - One (1) pupil did not receive the required 1st dose before the first day of school, and never received the required 2nd dose during the school year. The pupil was marked present in the school's monthly attendance summary for a total of 143 days.

LOS ANGELES UNIFIED SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

June 30, 2016

- **Windsor Hills Elementary Math/Science Aerospace Magnet** - Out of the 6 pupils sampled, we noted the following exceptions:
 - One (1) pupil did not receive the required 1st and 2nd doses during the school year, and was marked present in the school's monthly attendance summary for a total of 145 days.
 - Two (2) pupils received the 1st dose but never received the required 2nd dose during the school year. The pupils received the 1st dose before the first day of school, and were marked present in the school's monthly attendance summary for a total of 343 days during the school year.
- **Young Empowered Scholars Academy** - Out of the 11 pupils sampled, we noted the following exception:
 - One (1) pupil did not receive the required 1st and 2nd doses during the school year, and was marked present in the school's monthly attendance summary for a total of 104 days.

For the 18 schools identified as having not submitted immunization assessment reports for 7th Grade pupils to the CDPH, we selected a sample of 286 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:

- **Francisco Sepulveda Middle School** - Out of the 44 pupils sampled, we noted the following exceptions:
 - Two (2) pupils 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 16 days.
- **Francisco Sepulveda MS Gifted/High Achiever Magnet** - Out of the 11 pupils sampled, we noted the following exception:
 - One (1) pupil did not receive the required Tdap dose before admission into 7th Grade, and was marked present in the school's monthly attendance summary for a total of 10 days.
- **Robert Frost Middle School** - Out of the 44 pupils sampled, we noted the following exceptions:
 - Four (4) pupils 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 19 days.

LOS ANGELES UNIFIED SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

June 30, 2016

- One (1) pupil's Medical Exemption was obtained after the first day of school. The pupils were marked present in the school's monthly attendance summary for a total of 8 days during the school year before the submission of the exemption.
- **Robert Frost Middle School Computer/Math/Science Magnet-** Out of the 16 pupils sampled, we noted the following exceptions:
 - One (1) pupil did not receive the required Tdap dose before admission into 7th Grade, and was marked present in the school's monthly attendance summary for a total of 6 days.

Questioned Costs

- Grades K-3 – 7,123 days / 179 days = 39.79 ADA overstated * \$10,258 = \$408,158.13

Kindergartens:

- Angeles Mesa Elementary School – 249 days overstated/179 days in single track school year
- Leo Politi Elementary School - 167 days overstated/179 days in single track school year
- Lovelia P Flournoy Elementary School - 100 days overstated/179 days in single track school year
- Menlo Avenue Elementary School - 101 days overstated/179 days in single track school year
- 6th Avenue Elementary School - 149 days overstated/179 days in single track school year
- 52nd Street Elementary School - 174 days overstated/179 days in single track school year
- 68th Street Elementary School - 80 days overstated/179 days in single track school year
- 74th Street Elementary School - 335 days overstated/179 days in single track school year
- 96th Street Elementary School - 177 days overstated/179 days in single track school year
- 186th Street Elementary School - 83 days overstated/179 days in single track school year
- Alta Loma Elementary School - 160 days overstated/179 days in single track school year
- Buchanan Street Elementary School - 167 days overstated/179 days in single track school year
- Carson Street Elementary School - 169 days overstated/179 days in single track school year
- Castle Heights Elementary School - 499 days overstated/179 days in single track school year
- Cesar Chavez Elementary School - 165 days overstated/179 days in single track school year
- Cimarron Avenue Elementary School - 81 days overstated/179 days in single track school year
- Clover Avenue Elementary School - 333 days overstated/179 days in single track school year
- Coeur D Alene Avenue Elementary School - 167 days overstated/179 days in single track school year
- Dolores Street Elementary School - 93 days overstated/179 days in single track school year
- Gardner Street Elementary School - 168 days overstated/179 days in single track school year
- Grape Street Elementary School - 96 days overstated/179 days in single track school year
- Griffin Avenue Elementary - 166 days overstated/179 days in single track school year
- Harvard Elementary School - 177 days overstated/179 days in single track school year
- Hillcrest Drive Elementary School - 328 days overstated/179 days in single track school year
- Huntington Park Elementary School - 86 days overstated/179 days in single track school year

LOS ANGELES UNIFIED SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

June 30, 2016

Questioned Costs (continued)

- Gerald A Lawson Academy of the Arts Math Science Elementary - 150 days overstated/179 days in single track school year
 - Loyola Village Elementary School - 176 days overstated/179 days in single track school year
 - Manhattan Place Elementary School - 326 days overstated/179 days in single track school year
 - Montara Avenue Elementary School - 509 days overstated/179 days in single track school year
 - Pacific Boulevard School - 109 days overstated/179 days in single track school year
 - Raymond Avenue Elementary School - 272 days overstated/179 days in single track school year
 - Short Avenue Elementary School - 113 days overstated/179 days in single track school year
 - Van Deene Avenue Elementary School - 98 days overstated/179 days in single track school year
 - Virginia Road Elementary School - 165 days overstated/179 days in single track school year
 - Wilshire Crest Elementary School - 143 days overstated/179 days in single track school year
 - Windsor Hills Elementary Math/Science Aerospace Magnet - 488 days overstated/179 days in single track school year
 - Young Empowered Scholars Academy - 104 days overstated/179 days in single track school year
- Charter School - Grades K-3 – 225 days / 179 days = 1.26 ADA overstated * \$10,258 = \$12,924.84

Charter School Kindergartens:

- Haynes Charter for Enriched Studies - 55 days overstated/179 days in single track school year
 - Palisades Charter Elementary School - 170 days overstated/179 days in single track school year
- Grades 7-8 – 59 days / 179 days = .33 ADA overstated * \$9,711 = \$3,204.57

7th Graders:

- Francisco Sepulveda Middle School - 16 days overstated/179 days in single track school year
- Francisco Sepulveda MS Gifted/High Achiever Magnet - 10 days overstated/179 days in single track school year
- Robert Frost Middle School - 27 days overstated/179 days in single track school year
- Robert Frost Middle School Computer/Math/Science Magnet - 6 days overstated/179 days in single track school year

LOS ANGELES UNIFIED SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

June 30, 2016

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/have been taken:

- a) MiSiS fields will be enhanced to require expiration date for exemptions (both temporary medical exemptions)-in progress.
- b) An Immunization 101 PowerPoint presentation has been created and all Local District administrative teams were trained on how to utilize. The PowerPoint presentation is being used in each Local District (LD) to train nurses and has also been distributed to all nurses for their use with school staff.
- c) District Nursing Services (DNS) will also require direct follow up and tracking of immunization by Local District nursing office. DNS provided weekly immunization compliance reports to LD Nursing Coordinators and Specialists. These reports were also provided to LD Superintendents and Administrators of Operations.
- d) Job Aids were reissued in August 2016 for conditional admissions and immunization documentation.
- e) Nursing administrators attended a School Admin Assistants (SAA) staff meeting to discuss/train staff on immunization requirements and MiSiS documentation as well as having school based nurses provide PowerPoint presentation in a 1:1 setting at each school site.
- f) The Executive Director issued a memorandum which was distributed to all LD Superintendents and Administrators of Operations who provided to school principals. The memo provided instructions on roles and responsibilities, informed principals that funding for over-time was available, and that nurses were available to train school clerical on entering immunization data, as well as steps on how to submit the annual Kindergarten immunization report. A reference guide is being revised and will be issued in the second semester.
- g) The Director of Medical Services presented at two Operations Coordinators and Operations Administrators meetings in October 2016, and will present at the March 2017 meeting on immunization requirements.
- h) Regular meetings with the EESiS group regarding preschool/preK immunization documentation requirements are occurring. A work order has been completed and Student Health and Human Services has transferred funding for the project. We are tracking the progress of the project using the JIRA system. Mapping the EESiS data to the Welligent system has been completed. ITD and Welligent currently working on interface coding.

LOS ANGELES UNIFIED SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

June 30, 2016

- i) All school nurses have read-only access to California Immunization Registry (CAIR) to identify missing immunizations for documentation in Welligent-access.
- j) Additional support provided to schools included having Nurses assigned to the Communicable Disease program assist schools with the lowest immunization data entry in MiSIS.

LOS ANGELES UNIFIED SCHOOL DISTRICT

Status of Prior Year Findings and Recommendations

June 30, 2016

Findings Relating to the Basic Financial Statements which are Required to be Reported in Accordance with Government Auditing Standards

FS-2015-001 ITD Developers with Access to SAP Batch transactions – Significant Deficiency

State Audit Guide Finding Code: 30000

Recommendation

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

Current Status

Corrective action(s) partially implemented as ITD Functional personnel access was noted for this year. See FS-2016-001 (ITD Access to SAP Production Transactions) in Section II – Findings Relating to the Basic Financial Statements which are Required to be Reported in Accordance with GAS.

FS-2015-002 Accounts Payable Three-Way Matching Control – Significant Deficiency

State Audit Guide Finding Code: 30000

Recommendation

Conflicting access should be removed from SAP system users to ensure that no individual has the ability to create a purchase order, post an invoice and receive goods

Current Status

Corrective action(s) implemented.

FS-2015-003 MISIS Change Control Management – Significant Deficiency

State Audit Guide Finding Code: 30000

Recommendation

We recommend that ITD management do the following relative to MISIS change management:

- Business Owner sign-offs/approvals for go live into production be consistently obtained for TFS functionality enhancements.
- Revise MISIS change management policy to address all MISIS program change types to include technical enhancements/fixes. Business owner approval of revised policy should be obtained to ensure change management procedures are effectively communicated to the user community.

LOS ANGELES UNIFIED SCHOOL DISTRICT

Status of Prior Year Findings and Recommendations

June 30, 2016

- Require business owner sign-offs of user acceptance testing for MISIS functionality enhancements.
- Implement a change management system designed to formally record and track business owner approvals in place of using free form text emails.

Current Status

Corrective action(s) implemented.

FS-14-03 Excessive Vendor Management Access – Significant Deficiency

State Audit Guide Finding Code: 30000

Recommendation

ITD management should periodically review access to Accounts Payable vendor management transaction codes and remove inappropriate access 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.

FS-14-04 SAP General Ledger Transactions Access – Significant Deficiency

State Audit Guide Finding Code: 30000

Recommendation

General Ledger transactions 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.

LOS ANGELES UNIFIED SCHOOL DISTRICT

Status of Prior Year Findings and Recommendations

June 30, 2016

Findings and Questioned Costs Related to Federal Awards

Finding F-2015-001 – Cost Principles – Payroll Certifications and Documentation for Specially Funded Employee Positions

Program Identification:

Workforce Investment 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. 14508;

Improving Teacher Quality State Grants, U.S. Department of Education, passed through California Department of Education, CFDA No. 84.367, Grant Agreement No. PCA14341;

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;

Magnet School Assistance, U.S. Department of Education, CFDA No. 84.165A, Grant Agreement No. U165A130049;

School Improvement Grant, U.S. Department of Education, passed through California Department of Education, CFDA No. 84.377, Grant Agreement No. 10-15020-6473.

Recommendation

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

Current Status

Implemented

Finding F-2015-002 – 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 its 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

LOS ANGELES UNIFIED SCHOOL DISTRICT

Status of Prior Year Findings and Recommendations

June 30, 2016

Finding F-2015-003 – 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-4202 and CCTR-4101.

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-2015-004 – Equipment - Equipment Management Policies

Program Identification:

Magnet School Assistance, U.S. Department of Education, CFDA No. 84.165A, Grant Agreement Nos. U165A130049 and U165A100057;

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;

Teacher Incentive Fund Initiative, U.S. Department of Education, CFDA No. 84.374A, Grant Agreement No. S374A120066;

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

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

LOS ANGELES UNIFIED SCHOOL DISTRICT

Status of Prior Year Findings and Recommendations

June 30, 2016

Finding F-2015-005 – Matching

Program Identification:

Gaining Early Awareness and Readiness for Undergraduate Programs (GEAR-UP), U.S. Department of Education, CFDA No. 84.334, Grant Agreement No. P334A110166;

Recommendation

We recommend that the District continue to follow the newly established procedures to monitor and review the matching expenditures of the District's partners.

Current Status

Implemented

Finding F-2015-006 – Reporting – Special 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, passed through California Department of Education, CFDA Nos. 93.575 and 93.596, Grant Agreement Nos. CSPP-4202 and CCTR-4101.

Child and Adult Care Food Program, U.S. Department of Agriculture, California Department of Education, CFDA No. 10.558, Grant Agreement No. 19-64733-0000000-01.

Recommendations

Child Care and Development Fund: We recommend that the District strengthen its processes to ensure that attendance records are reported accurately.

Child and Adult Care Food Program: We recommend the District provide guidance to its EEC operators to be more conscientious during the meal count process. The District should also strengthen its controls regarding the claim process to ensure the accuracy of the counts.

Current Status

Implemented

LOS ANGELES UNIFIED SCHOOL DISTRICT

Status of Prior Year Findings and Recommendations

June 30, 2016

Finding F-2015-007 – 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 strengthens its monitoring process to ensure that schools are compliant with the principal attestation requirement and submit the accurate certifications timely.

Highly Qualified Paraprofessionals: We recommend that the District strengthens its policies and procedures to ensure that all Title I Basic funded paraprofessionals are highly qualified.

Current Status

Implemented

LOS ANGELES UNIFIED SCHOOL DISTRICT

Status of Prior Year Findings and Recommendations

June 30, 2016

Section IV - Findings and Questioned Costs Relating to State Awards

S-2015-001 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

- 9th Street Elementary School
- 24th Street Elementary School
- Capistrano Elementary School
- Hancock Park Elementary School
- Lull Special Education Center
- Meyler Elementary School
- Michelle Obama Elementary School
- President Elementary School
- Sharp Elementary School
- State Elementary School
- Teresa P. Hughes Elementary School
- West Hollywood Elementary School
- Woodlawn 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. Also, we recommend that the District retain paper documentation for those circumstances when the teachers may be allowed to electronically submit and certify attendance on a subsequent day.

Current Status

Implemented.

S-2015-002 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

- Le Conte Middle School
- Nightingale Middle School
- Pio Pico Middle School

LOS ANGELES UNIFIED SCHOOL DISTRICT

Status of Prior Year Findings and Recommendations

June 30, 2016

- Sepulveda Middle School
- Woodland Hills Academy
- Augustus F. Hawkins High School CHAS
- Cesar E. Chavez Learning Academy
- Dr. Maya Angelou Community High School
- Linda Esperanza Marquez High School
- Thomas Jefferson High School
- Sonia Sotomayor Learning Academy

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. Also, we recommend that the District retain paper documentation for those circumstances when the teachers may be allowed to electronically submit and certify attendance on a subsequent day.

Current Status

Implemented.

S-2015-003 - Attendance Accounting – Continuation Education – Attendance Computations

State Audit Guide Finding Codes: 10000 and 40000

Schools Affected

- Frida Kahlo Continuation High School
- View Park Continuation High School

Recommendation

We recommend that the District strengthen its review process over the compilation of the *Monthly Statistical Reports* to ensure that the reports accurately reflect student attendance data.

Current Status

Implemented.

LOS ANGELES UNIFIED SCHOOL DISTRICT

Status of Prior Year Findings and Recommendations

June 30, 2016

S-2015-004 – Attendance Accounting – Dependent Charter School – Attendance Computations

State Audit Guide Finding Codes: 10000 and 40000

Schools Affected

- Granada Community Charter
- Paul Revere Middle School
- William Howard Taft Charter High School

Recommendation

We recommend that the District continue to strengthen its controls over implementing District policies over student dependent charter schools' 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. Also, we recommend that the District retain paper documentation for those circumstances when the teachers may be allowed to electronically submit and certify attendance on a subsequent day.

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

Corrective actions(s) not implemented. See the S-2016-003 (Teacher Certification and Misassignments) of the Findings and Questioned Costs Relating to State Awards section.

LOS ANGELES UNIFIED SCHOOL DISTRICT

Status of Prior Year Findings and Recommendations

June 30, 2016

S-2015-006 – Kindergarten Continuance

State Audit Guide Finding Codes: 40000

School Affected

- West Hollywood 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 to support the inclusion of such pupils in the average daily attendance computation.

Current Status

Implemented.

S-2015-007 – After School Education and Safety Program

State Program: After School Education and Safety Program

State Audit Guide Finding Codes: 40000

Schools Affected

- | | |
|--|---|
| • Hawaiian Elementary School | • Granada Elementary School |
| • 15 th St Elementary School | • Haddon Elementary School |
| • Annalee Elementary School | • Mountain View Elementary School |
| • Caroldale Learning Community Elementary School | • Nevada Elementary School |
| • Dominguez Elementary School | • Plainview Charter Academy Elementary School |
| • Lomita Math/Sci Magnet Elementary School | • Sunland Elementary School |
| • Catskill Elementary School | • Obama Gbl Prep Academy Middle School |
| • Halldale Elementary School | • Portola Middle School |
| • Meyler Elementary School | • Romer Middle School |
| • Van Deene Elementary School | • San Fernando Middle School |
| • Columbus Middle School | • Sutter Middle School |
| • Dolores Elementary School | • White Middle School |
| • Van Nuys Middle School | • Glenwood Elementary School |
| • Canterbury Elementary School | • Hazeltine Elementary School |
| • Hart St. Elementary School | • Roscoe Elementary School |
| • Limerick Elementary School | • Sylmar Elementary School |

LOS ANGELES UNIFIED SCHOOL DISTRICT

Status of Prior Year Findings and Recommendations

June 30, 2016

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-2015-008 – Unduplicated Local Control Funding Formula Pupil Counts

State Program: Unduplicated Local Control Funding Formula Pupil Counts

State Audit Guide Finding Code: 40000

School Affected

- Paul Revere Middle School (Dependent Charter School)

Recommendation

We recommend in instances when schools are not in session, the District's Multilingual & Multicultural Education (MMED) office implement a system of timely updates of MISIS records centrally.

Current Status

Implemented.

INDEPENDENT AUDITOR'S MANAGEMENT LETTER



SIMPSON & SIMPSON
CERTIFIED PUBLIC ACCOUNTANTS

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

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

December 13, 2016

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, 2016, 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-2016-001 and FS-2016-002.

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 pages 310-311. 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-2016-001 Business Continuity / IT Disaster Recovery Planning

Condition

A comprehensive Business Continuity Plan which comprise Information Technology Disaster Recovery and Business Resumption Plans designed to reduce the impact of a major disruption of key district business functions has not been completed.

We commend ITD management for actions taken to develop a business continuity plan to include implementing a backup data center, drafting various Division/Branch level business continuity plans, etc. However, a comprehensive business continuity plan has not been completed and tested to ensure the delivery of instructional and other critical district services during disruptions, emergencies and/or disasters.

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.

Management Response

ITD will continue working with all Major Branches and Divisions to develop and test Business Continuity Plans. Progress continues on completing the secondary data center and the tertiary site is in the planning stage. Once the data centers are complete and fully operational then the data centers will be part of the Disaster Recovery Plan and a critical component of the Business Continuity Plans.

ML-2016-002 CFDA #17.274 Youth Career Connect - Match

Condition

In accordance with the Youth Career Connect (YCC) funding announcement, applicants are required to provide a match of 25 percent of the grant award. As approved by the Department of Labor (DOL), the District supplies match for this grant through the time and effort of staff supporting the YCC program, who work directly with the funded cohort, or who support the Linked Learning program at YCC sites, but are not funded by the federal program. For school-level teacher time, the match calculation is based on the number of classes dedicated to courses for the funded cohort against their total work schedule.

During the course of our review of the match claimed on the FY 15/16 Quarter 1 and Quarter 3 Financial Reports, we noted that the program reported and had documentation for more than the 25% required match. However, included in the total match reported, we noted the following:

Current Year Management Letter Comments

- 1 employee tested is funded by Title I for their regular assignment, but their z-time which is paid by the general fund, is used as applicable match. Although the salary portion is paid by the general fund, the percentage applied to the salaries to calculate the match amount is based on the number of classes teaching cohort, therefore not representative of non-federal time spent on the program. Per the Program & Policy Development Advisor, the z-time is for after school instructional Leadership meetings, which support the entire 9-12 grade cohort, leading YCC to apply the funded cohort methodology. A sample Agenda was provided and it was determined that the support does not warrant the use of the DOL-approved methodology.
- 2 employees tested had match calculated using the wrong percentage. The percentage errors were subsequently identified and corrected on the Quarter 4 Financial Report covering the quarter ended June 30, 2016 submitted on October 11, 2016.

Impact

Potential unallowable and unsupported match could lead to not meeting the match requirement at the end of the grant period.

Recommendation

The District should obtain grantor approval to apply the work load methodology to a teacher's assignment outside of the normal workload.

Management Response

Management accepts the recommendations of the auditor, and in the interest of simplifying our calculations and record keeping, have requested a correction to the 9/30/2016 quarterly 9130 report filed with the Department of Labor. We have removed the claimed match for the identified employee and reduced claimed match by \$4,207.89, the value of claimed match. The resulting correction reduces our claimed match from \$6,403,877.17 to \$6,399,669.28. The grant required match is \$1,750,000.00, which has been met.

Status of Prior Year Management Letter Comments

ML-2015-001 Project Management and Systems Development Procedures

Recommendation

Consistent Project Management and Systems Development methodologies should be implemented to guide the consistent implementation and maintenance of major LAUSD accounting systems. Both methodologies can be designed to work in concert to meet project goals. Procedures should include consistent documenting of business sponsor management approval for initiating system implementation projects, program change requests, user acceptance testing and production migration/cutover.

Current Status

Corrective action(s) implemented. The PMO (Project Management Office) has developed standardized methodologies and practices.

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) not implemented. There is currently no revised/new IT Security Plan or a District-wide ITD Security Governance policy.

ML-2015-003 Cafeteria Management Systems (CMS) Access

Recommendation

ITD management should periodically coordinate with Cafeteria management to review CMS access and remove inappropriate access in a timely manner.

Current Status

Corrective action(s) implemented.

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.

Status of Prior Year Management Letter Comments

Current Status

Corrective action(s) not implemented. See the FS-2016-002 (MISIS User Access) of the Schedule of Findings and Questioned Costs section.

ML-2015-005 Construction in Progress and Transfers to Depreciable Capital Assets

Recommendation

We recommend that FSD and ITD continue to follow the District's policies and procedures. The FSD's and ITD's staff should perform a detail review and analysis of construction projects prior to transfer from the CIP accounts to completed projects to ensure that the project has been completed and supporting documentation for completion are being maintained. We also recommend that FSD and ITD dedicate sufficient staff resources to perform timely analysis and review of the CIP accounts. Finally, we recommend that the ILTSS perform an analysis of the cost accumulated in the CIP accounts to ensure that they are capital in nature.

Current Status

Corrective action(s) implemented.

ML-2015-006 - Procurement of Professional Services

Recommendation

The District should adhere to its internal control procedures for facilities contracts, and perform Due Diligence Investigations based on those requirements.

Current Status

Corrective action(s) implemented.

ML-14-05 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 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) not implemented. See the FS-2016-001 (ITD Access to SAP Production Transactions) of the Schedule of Findings and Questioned Costs section.

Status of Prior Year Management Letter Comments

ML-14-07 Business Continuity / IT Disaster Recovery Planning

Recommendation

A Business Continuity Plan should be developed. This plan should address the requirements for alternative processing and timely recovery of mission critical IT services. The plan should be tested on a regular basis to ensure that IT systems can be effectively recovered, shortcomings are addressed and the plan remains relevant.

Current Status

Corrective action(s) partially implemented. See the ML-2016-001 (Business Continuity / IT Disaster Recovery Planning) of the Current Year Management Letter Comments.

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 Refunding Bonds. The Refunding Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered security certificate will be issued for each maturity of the Refunding Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC 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 Refunding Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Refunding Bonds on DTC’s records. The ownership interest of each actual purchaser of each security (“Beneficial Owner”) is in turn to be

recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Refunding Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Refunding Bonds, except in the event that use of the book-entry system for the Refunding Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of the Refunding Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Refunding Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of the Refunding Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Refunding Bonds, such as redemptions, tenders, defaults, and proposed amendments to the security documents. For example, Beneficial Owners of the Refunding Bonds may wish to ascertain that the nominee holding the Refunding Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Refunding Bonds are to be redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the District as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Refunding Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions, and other payments on the Refunding Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the District, on payable date in accordance with their

respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC or the District subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and other payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the District, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Refunding Bonds at any time by giving reasonable notice to the District. Under such circumstances, in the event that a successor depository is not obtained, security certificates are required to be printed and delivered.

The District may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, certificates will be printed and delivered to DTC and the requirements of the Refunding Resolution with respect to certificated Bonds will apply.

THE DISTRICT, THE COUNTY, THE PAYING AGENT, THE MUNICIPAL ADVISOR, AND THE 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 REFUNDING BONDS (1) PAYMENTS OF PRINCIPAL OF AND INTEREST EVIDENCED BY THE BONDS (2) CONFIRMATIONS OF THEIR OWNERSHIP INTERESTS IN THE REFUNDING BONDS OR (III) OTHER NOTICES SENT TO DTC OR CEDE & CO., ITS PARTNERSHIP NOMINEE, AS THE REGISTERED OWNER OF THE REFUNDING BONDS, OR THAT THEY WILL DO SO ON A TIMELY BASIS, OR THAT DTC, DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS WILL SERVE AND ACT IN THE MANNER DESCRIBED IN THIS OFFICIAL STATEMENT.

NEITHER THE DISTRICT, THE COUNTY, THE PAYING AGENT, THE MUNICIPAL ADVISOR, NOR THE 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 REFUNDING BONDS, (3) THE DELIVERY BY DTC OR ANY DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS OF DTC OF ANY NOTICE TO ANY BENEFICIAL OWNER THAT IS REQUIRED OR PERMITTED TO BE GIVEN TO OWNERS UNDER THE TERMS OF THE REFUNDING RESOLUTION, OR (4) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS OWNER OF THE REFUNDING BONDS.

[THIS PAGE INTENTIONALLY LEFT BLANK]

APPENDIX D

PROPOSED FORM OF OPINION OF BOND COUNSEL

Upon issuance of the Refunding Bonds, Hawkins Delafield & Wood LLP, Los Angeles, California, Bond Counsel to the Los Angeles Unified School District, will render its approving opinion with respect to the Refunding Bonds in substantially the following form:

[Closing Date]

Board of Education
Los Angeles Unified School District
Los Angeles, California

Ladies and Gentlemen:

We have acted as Bond Counsel in connection with the issuance of the \$1,080,830,000 Los Angeles Unified School District (County of Los Angeles, California) 2017 General Obligation Refunding Bonds, Series A (Dedicated Unlimited *Ad Valorem* Property Tax Bonds) (the “Refunding Bonds”).

The Refunding Bonds are being issued pursuant to Title 5, Division 2, Part 1, Chapter 3, Article 9 and Article 11 of the California Government Code (the “Refunding Law”), and other applicable law, each as amended, and a resolution adopted by the District Board on May 10, 2016 (the “Refunding Resolution”).

We have examined and relied on originals or copies, certified or otherwise identified to our satisfaction, of these documents and such other documents, instruments, proceedings or corporate records, and have made such investigation of law, as we have considered necessary or appropriate for the purpose of this opinion.

Based on the foregoing, we are of the opinion that under existing law:

(1) The Refunding Resolution has been duly adopted by the District Board and constitutes valid and binding obligations of the District enforceable against the District in accordance with its terms.

(2) The Refunding Bonds constitute valid and binding general obligations of the District, payable as to both principal and interest from the proceeds of a levy of *ad valorem* taxes on all property subject to such taxes in the District, which taxes are unlimited as to rate or amount (except as to certain personal property which is taxable at limited rates).

(3) Under existing statutes and court decisions and assuming continuing compliance with certain tax covenants described herein, (a) interest on the Refunding Bonds is excluded from gross income for Federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the “Code”) and (b) interest on the Refunding Bonds is not

treated as a preference item in calculating the alternative minimum tax imposed on individuals and corporations under the Code; such interest, however, is included in the adjusted current earnings of certain corporations for purposes of calculating the alternative minimum tax imposed on such corporations.

The Code establishes certain requirements that must be met subsequent to the issuance and delivery of the Refunding Bonds in order that, for Federal income tax purposes, interest on the Refunding Bonds be not included in gross income pursuant to Section 103 of the Code. These requirements include, but are not limited to, requirements relating to the use and expenditure of Bond proceeds, restrictions on the investment of Bond proceeds prior to expenditure and the requirement that certain earnings be rebated to the Federal government. Noncompliance with such requirements may cause interest on the Refunding Bonds to be included in gross income for purposes of Federal income taxation retroactive to their date of issuance, irrespective of the date on which such noncompliance occurs or is ascertained.

On the date of delivery of the Refunding Bonds, the District will execute a Tax Certificate (the "Tax Certificate") containing provisions and procedures pursuant to which such requirements can be satisfied. In executing the Tax Certificate, the District covenants that the District will comply with the provisions and procedures set forth therein and that the District will do and perform all acts and things necessary or desirable to assure that interest paid on the Refunding Bonds will, for Federal income tax purposes, be excluded from gross income.

In rendering the opinion in paragraph (3), we have relied upon and assumed (a) the material accuracy of the representations, statements of intention and reasonable expectation, and certifications of fact contained in the Tax Certificate with respect to matters affecting the status of interest paid on the Refunding Bonds, and (b) compliance by the District with the procedures and covenants set forth in the Tax Certificate as to such tax matters.

(4) Under existing statutes, interest on the Refunding Bonds is exempt from State of California personal income taxes.

Except as stated in paragraphs (3) and (4) above, we express no opinion regarding any Federal, state or local tax consequences arising with respect to the Refunding Bonds or the ownership or disposition thereof. We render this opinion under existing statutes and court decisions as of the date of issuance of the Refunding Bonds, and assume no obligation to update, revise or supplement this opinion to reflect any action hereafter taken or not taken, or any facts or circumstances that may hereafter come to our attention, or changes in law or in interpretations thereof that may hereafter occur, or for any other reason. We express no opinion on the effect of any action hereafter taken or not taken in reliance upon an opinion of other counsel on the exclusion from gross income for Federal income tax purposes of the interest on the Refunding Bonds, or the exemption from personal income taxes of interest on the Refunding Bonds under state and local tax law.

We undertake no responsibility for the accuracy, completeness or fairness of any official statement or other offering materials relating to the Refunding Bonds and express herein no opinion relating thereto.

The foregoing opinions are qualified to the extent that the enforceability of the Refunding Bonds, the Refunding Resolution and the Tax Certificate may be limited by bankruptcy, moratorium, insolvency or other laws affecting creditors' rights or remedies and are subject to general principles of equity (regardless of whether such enforceability is considered in equity or at law), and to the limitations on legal remedies against governmental entities in the State of California (including, but not limited to, rights of indemnification).

This opinion is issued as of the date hereof, and we assume no obligation to update, revise or supplement this opinion to reflect any action hereafter taken or not taken, or any facts or circumstances, or any changes in law or in interpretations thereof, that may hereafter arise or occur, or for any other reason.

Very truly yours,

[THIS PAGE INTENTIONALLY LEFT BLANK]

APPENDIX E

FORM OF CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (the “Disclosure Certificate”) is executed and delivered by the Los Angeles Unified School District (the “District”) in connection with the issuance of its Refunding Bonds (defined herein), which are being issued pursuant to the laws of the State of California, the Refunding Resolution (defined herein). The District covenants and agrees as follows:

Section 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the District and the Dissemination Agent for the benefit of the Holders and Beneficial Owners of the Refunding Bonds and in order to assist the Participating Underwriters in complying with Securities and Exchange Commission Rule 15c2 12(b)(5).

Section 2. Definitions. In addition to the definitions set forth in the Refunding Resolution, which apply to any capitalized term used in this Disclosure Certificate unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

“Annual Report” shall mean any Annual Report provided by the District pursuant to, and as described in, Sections 4 and 5 of this Disclosure Certificate.

“CUSIP Numbers” shall mean the Committee on Uniform Security Identification Procedure’s unique identification number for each public issue of a security.

“Beneficial Owner” shall mean any person who (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Refunding Bonds (including persons holding Refunding Bonds through nominees, depositories or other intermediaries), or (b) is treated as the owner of any Refunding Bonds for federal income tax purposes.

“County” shall mean the County of Los Angeles, California.

“Dissemination Agent” shall mean Digital Assurance Certification, L.L.C., or any successor Dissemination Agent designated in writing by the District and which has filed with the District a written acceptance of such designation.

“Disclosure Counsel” shall mean an attorney-at-law, or a firm of such attorneys, of nationally recognized standing in matters pertaining to the disclosure obligations under the Rule, duly admitted to the practice of law before the highest court of any state of the United States of America.

“EMMA System” shall mean the MSRB’s Electronic Municipal Market Access system, the current internet address of which is <http://emma.msrb.org>.

“Holder” shall mean either the registered owners of the Refunding Bonds, or if the Refunding Bonds are registered in the name of The Depository Trust Company or another recognized depository, any applicable participant in such depository system.

“Listed Events” shall mean any of the events listed in Section 6(b) of this Disclosure Certificate.

“MSRB” shall mean the Municipal Securities Rulemaking Board established pursuant to Section 15B(b)(1) of the Securities Exchange Act of 1934, or any successor thereto or to the functions of the MSRB contemplated by this Disclosure Certificate.

“Official Statement” shall mean the Official Statement dated May 16, 2017 with respect to the Refunding Bonds.

“Participating Underwriters” shall mean the original underwriters of the Refunding Bonds required to comply with the Rule in connection with offering of the Refunding Bonds.

“Refunding Bonds” shall mean the 2017 General Obligation Refunding Bonds, Series A (Dedicated Unlimited *Ad Valorem* Property Tax Bonds).

“Refunding Resolution” shall mean the resolution adopted by the Board of Education of the District on May 10, 2016.

“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 2016-17 Fiscal Year (which is due not later than February 25, 2018), 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 3 – “Historical Gross Assessed Valuation of Taxable Property” if and to the extent provided to the District by the County;

(ii) Table 5 – “Assessed Valuation and Parcels by Land Use”;

(iii) Table 6 – “Assessed Valuations of Single Family Homes per Parcel”;

(iv) Table 7 – “Largest Local Secured Taxpayers”;

(v) Table 9 – “Secured Tax Charges and Delinquencies,” if and to the extent provided to the District by the County;

(vi) Table A-1 – “Annual Average Daily Attendance”;

(vii) Table A-6 – “District General Fund Budget” for the current fiscal year;

(viii) Table A-24 – “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-25 – “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-26 – “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-27 – “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-28 – “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 Refunding Bonds:

- (i) principal and interest payment delinquencies;
- (ii) non-payment related defaults, if material;
- (iii) modifications to rights of Holders, if material;

- (iv) Bond calls, if material and tender offers;
- (v) defeasances;
- (vi) rating changes;
- (vii) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (Internal Revenue Service Form 5701-TEB) or other material notices of determinations with respect to the tax status of the Refunding Bonds, or other material events affecting the tax status of the Refunding Bonds;
- (viii) unscheduled draws on the debt service reserves reflecting financial difficulties;
- (ix) unscheduled draws on the credit enhancements reflecting financial difficulties;
- (x) release, substitution or sale of property securing repayment of the Refunding Bonds, if material;
- (xi) bankruptcy, insolvency, receivership or similar event of the District (such event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for the District in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under State or federal law in which a court or government authority has assumed jurisdiction over substantially all of the assets or business of the District, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the District);
- (xii) substitution of credit or liquidity providers, or their failure to perform;
- (xiii) the consummation of a merger, consolidation, or acquisition involving the District or the sale of all or substantially all of the assets of the District, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;
- (xiv) appointment of a successor or additional Paying Agent or the change of name of a Paying Agent, if material; 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 Refunding 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 Refunding Resolution.

Section 7. CUSIP Numbers. Whenever providing information to the Dissemination Agent, including but not limited to Annual Reports, documents incorporated by reference to the Annual Reports, Audited Financial Statements and notices of Listed Events, the District shall indicate the full name of the Refunding Bonds and the 9-digit CUSIP numbers for the Refunding Bonds as to which the provided information relates.

Section 8. Termination of Reporting Obligation.

(a) The District's obligations under this Disclosure Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Refunding Bonds. If such termination occurs prior to the final maturity of the Refunding Bonds, the District shall give notice of such termination in the same manner as for a Listed Event under Section 6(c).

(b) This Disclosure Certificate, or any provision hereof, shall cease to be effective in the event that the District (1) delivers to the Dissemination Agent an opinion of Disclosure Counsel, addressed to the District and the Dissemination Agent, to the effect that those portions of the Rule which require this Disclosure Certificate, or such provision, as the case may be, do not or no longer apply to the Refunding Bonds, whether because such portions of the Rule are invalid, have been repealed, or otherwise, as shall be specified in such opinion, and (2) delivers copies of such opinion to the MSRB.

Section 9. Dissemination Agent. The District may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any such Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent shall be Digital Assurance Certification, L.L.C. If at any time there is no designated Dissemination Agent appointed by the District, or if the Dissemination Agent so appointed is unwilling or unable to perform the duties of the Dissemination Agent hereunder, the District shall be the Dissemination Agent and undertake or assume its obligations hereunder. The Dissemination Agent (other than the District) shall not be responsible in any manner for the content of any notice or report required to be delivered by the District pursuant to this Disclosure Certificate.

Section 10. Amendment; Waiver. (a) This Disclosure Certificate may be amended by the District without the consent of the holders of the Refunding Bonds (except to the extent required under clause (a)(iv)(2) below), if all of the following conditions are satisfied:

(i) such amendment is made in connection with a change in circumstances that arises from a change in legal (including regulatory) requirements, a change in law (including rules or regulations) or in interpretations thereof, or a change in the identity, nature or status of the District or the type of business conducted thereby;

(ii) this Disclosure Certificate as so amended would have complied with the requirements of the Rule as of the date of this Disclosure Certificate, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances;

(iii) the District shall have received an opinion of a nationally recognized bond counsel or counsel expert in federal securities laws, addressed to the District, to the same effect as set forth in (a)(ii) above;

(iv) either (1) the District shall have received an opinion of a nationally recognized bond counsel or counsel expert in federal securities laws, addressed to the District, to the effect that the amendment does not materially impair the interests of the holders of the Refunding Bonds or (2) is approved by the Holders of the Refunding Bonds in the same manner as provided in the Refunding Resolution for amendments to the Refunding Resolution with the consent of Holders; and

(v) the District shall have delivered copies of such opinion and amendment to the MSRB through its EMMA system within ten (10) Business Days from the execution thereof.

(b) In addition to subsection 10(a) above, this Disclosure Certificate may be amended and any provision of this Disclosure Certificate may be waived, by written certificate of the District, without the consent of the holders of the Refunding Bonds, if all of the following conditions are satisfied:

(i) an amendment to the Rule is adopted, or a new or modified official interpretation of the Rule is issued, after the effective date of this Disclosure Certificate which is applicable to this Disclosure Certificate;

(ii) the District shall have received an opinion of a nationally recognized bond counsel or counsel expert in federal securities laws, addressed to the District, to the effect that performance by the District under this Disclosure Certificate as so amended or giving effect to such waiver, as the case may be, will not result in a violation of the Rule; and

(iii) the District shall have delivered copies of such opinion and amendment to the MSRB through its EMMA system.

(c) In the event of any amendment or waiver of a provision of this Disclosure Certificate, the District shall describe such amendment in the next Annual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the District. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements,

(i) notice of such change shall be given in the same manner as for a Listed Event under Section 6 hereof, and (ii) the Annual Report for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

Section 11. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the District from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the District chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, the District shall have no obligation under this Disclosure Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

Section 12. Default. In the event of a failure of the District to comply with any provision of this Disclosure Certificate, the Dissemination Agent may (and, at the request of any Participating Underwriters or the Holders or Beneficial Owners of at least 25% of aggregate principal amount of the Refunding Bonds then outstanding, shall) or any Holders or Beneficial Owners of the Refunding Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the District to comply with its obligations under this Disclosure Certificate; provided that any such action may be instituted only in the Superior Court of the State of California in and for the County of Los Angeles or in the U.S. District Court in the County of Los Angeles. A default under this Disclosure Certificate shall not be deemed an Event of Default under the Refunding Resolution, and the sole remedy under this Disclosure Certificate in the event of any failure of the District to comply with this Disclosure Certificate shall be an action to compel performance.

Section 13. Duties, Immunities and Liabilities of Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate, and the District agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys' fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's gross negligence or willful misconduct. The obligations of the District under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Refunding Bonds.

Section 14. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the District, the Dissemination Agent, the Participating Underwriters and Holders and Beneficial Owners from time to time of the Refunding Bonds, and shall create no rights in any other person or entity.

Dated: May 25, 2017

LOS ANGELES UNIFIED SCHOOL DISTRICT

By: _____
John F. Walsh
Deputy Chief Financial Officer

ACKNOWLEDGED AND AGREED TO BY:

DIGITAL ASSURANCE CERTIFICATION,
L.L.C., as Dissemination Agent

By: _____
Dissemination Agent

[THIS PAGE INTENTIONALLY LEFT BLANK]

APPENDIX F

THE LOS ANGELES COUNTY TREASURY POOL

The Treasurer and Tax Collector of the County of Los Angeles (the “Treasurer”) manages, in accordance with California Government Code Section 53600 et seq., funds deposited with the Treasurer by County school and community college districts, various special districts and some cities. State law generally requires that all moneys of the County, school districts and certain special districts be held in the County’s Treasury Pool (the “Treasury Pool”) as described below. The composition and value of investments under management in the Treasury Pool vary from time to time, depending on the cash flow needs of the County and the other public agencies invested in the Treasury Pool, the maturity or sale of investments, purchase of new securities and fluctuations in interest rates generally. The Treasurer maintains a website, the address of which is <http://ttc.lacounty.gov>, on which the Treasurer periodically places information relating to the Treasury Pool. However, the information presented there is not part of this Official Statement, is not incorporated by reference herein and should not be relied upon in making an investment decision with respect to the Refunding Bonds.

County of Los Angeles Pooled Surplus Investments

The Treasurer and Tax Collector (the “Treasurer”) of 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 March 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	\$12.825
Schools and Community Colleges	14.359
Independent Public Agencies	2.476
Total	<u>\$29.660</u>

The Treasury Pool participation composition is as follows:

Non-discretionary Participants	91.65%
Discretionary Participants:	
Independent Public Agencies	7.60%
County Bond Proceeds and Repayment Funds	0.75%
Total	<u>100.00%</u>

Decisions on the investment of funds in the Treasury Pool are made by the County Investment Officer in accordance with established policy, with certain transactions requiring the Treasurer’s prior approval. In Los Angeles County, investment decisions are governed by Chapter 4 (commencing with Section 53600) of Part 1 of Division 2 of Title 5 of the California

Government Code, which governs legal investments by local agencies in the State of California, and by a more restrictive Investment Policy developed by the Treasurer and adopted by the Los Angeles County Board of Supervisors on an annual basis. The Investment Policy adopted on March 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 April 28, 2017, the March 31, 2017 book value of the Treasury Pool was approximately \$29.660 billion and the corresponding market value was approximately \$29.462 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 March 31, 2017:

Type of Investment	% of Pool
U.S. Government and Agency Obligations	57.57%
Certificates of Deposit	12.73
Commercial Paper	29.30
Bankers Acceptances	0.00
Municipal Obligations	0.24
Corporate Notes & Deposit Notes	0.16
Asset Backed Instruments	0.00
Repurchase Agreements	0.00
Other	0.00
	<u>100.00%</u>

The Treasury Pool is highly liquid. As of March 31, 2017 approximately 35.62% of the investments mature within 60 days, with an average of 673 days to maturity for the entire portfolio.

LOS ANGELES UNIFIED SCHOOL DISTRICT (COUNTY OF LOS ANGELES, CALIFORNIA) • 2017 GENERAL OBLIGATION REFUNDING BONDS, SERIES A
(DEDICATED UNLIMITED AD VALOREM PROPERTY TAX BONDS)



Printed by: ImageMaster, LLC
www.imagemaster.com