NEW ISSUE – BOOK-ENTRY ONLY

RATINGS: Fitch: "AAA"
KBRA: "AAA"
Moody's: "Aa3"
See "MISCELLANEOUS – Ratings" herein.

In the opinion of Hawkins Delafield & Wood LLP, Bond Counsel to the District, under existing statutes and court decisions and assuming continuing compliance with certain tax covenants described herein, (i) interest on the Bonds maturing on and after July 1, 2023 (the "Tax-Exempt 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 Tax-Exempt Bonds is not treated as a preference item in calculating the alternative minimum tax under the Code, however for tax years beginning after December 31, 2022, interest on the Tax-Exempt Bonds is included in the "adjusted financial statement income" of certain corporations that are subject to the alternative minimum tax under Section 55 of the Code. Hawkins Delafield & Wood LLP also is of the opinion that interest on the Bonds maturing on January 1, 2023 (the "Federally Taxable Bonds") is included in gross income for Federal income tax purposes pursuant to the Code. In addition, in the opinion of Bond Counsel to the District, under existing statutes, interest on the Bonds is exempt from personal income taxes imposed by the State of California. See "TAX MATTERS" herein.

$500,000,000
LOS ANGELES UNIFIED SCHOOL DISTRICT
(County of Los Angeles, California)
General Obligation Bonds, Series QRR (2022)
(Dedicated Unlimited *Ad Valorem* Property Tax Bonds)
(Sustainability Bonds)

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

The Los Angeles Unified School District (County of Los Angeles, California) General Obligation Bonds, Series QRR (2022) (Dedicated Unlimited *Ad Valorem* Property Tax Bonds) (Sustainability Bonds) (the "Bonds") are issued by the County of Los Angeles, California (the "County") on behalf of the Los Angeles Unified School District (the "District") to finance certain school facilities projects, including funding capitalized interest and paying principal on the Federally Taxable Bonds, and to pay the costs of issuance of the Bonds as more fully described herein. See "PLAN OF FINANCE." The Bonds are being issued under the laws of the State of California (the "State"), the applicable authorizations received at elections held by the District as described herein, and pursuant to resolutions of the Board of Education of the District and the Board of Supervisors of the County.

The 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 Bonds, all as more fully described herein. See "SECURITY AND SOURCE OF PAYMENT FOR THE BONDS."

Interest on the Tax-Exempt Bonds is payable on each January 1 and July 1 to maturity, commencing January 1, 2023. Interest on the Federally Taxable Bonds is payable at maturity. Principal of the Bonds is payable in each of the years and in the amounts set forth on the inside front cover page hereof.

The 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 Bonds. Owners will not receive certificates representing their interests in the Bonds. Payments of principal of, premium, if any, and interest on the Bonds will be made by U.S. Bank Trust Company, 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 Bonds. See APPENDIX C – "BOOK-ENTRY ONLY SYSTEM."

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

The District has designated the Bonds as "Sustainability Bonds." See "DESIGNATION OF THE BONDS AS SUSTAINABILITY BONDS."

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 Bonds will be offered when, as and if issued by the County on behalf of 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 Orrick, Herrington & Sutcliffe LLP, Los Angeles, California, Disclosure Counsel to the District, and for the Underwriters by Nixon Peabody LLP, San Francisco, California. The Bonds, in book-entry form, will be available for delivery through the facilities of DTC on or about November 22, 2022.

Morgan Stanley & Co. LLC **Citigroup**

Jefferies

Academy Securities, Inc. **Rice Financial Products Company** **Siebert Williams Shank & Co., LLC**

Dated: November 8, 2022

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

$500,000,000
LOS ANGELES UNIFIED SCHOOL DISTRICT
(County of Los Angeles, California)
General Obligation Bonds, Series QRR (2022)
(Dedicated Unlimited *Ad Valorem* Property Tax Bonds)
(Sustainability Bonds)

Base CUSIP† Number: 544647

$386,500,000 Serial Bonds

Maturity	Principal Amount	Interest Rate	Initial Public Offering Yield	Price	CUSIP† Suffix
Federally Taxable Bonds					
January 1, 2023	$32,585,000	4.500%	4.500%	100.000%	GE4
Tax-Exempt Bonds					
July 1, 2023	$23,400,000	5.000%	3.010%	101.187%	FH8
July 1, 2024	19,745,000	5.000	3.110	102.939	FJ4
July 1, 2025	20,730,000	5.000	3.110	104.696	FK1
July 1, 2026	21,765,000	5.000	3.170	106.190	FL9
July 1, 2027	22,855,000	5.000	3.180	107.741	FM7
July 1, 2028	23,995,000	5.000	3.220	109.063	FN5
July 1, 2029	25,195,000	5.000	3.260	110.266	FP0
July 1, 2030	15,085,000	5.000	3.300	111.352	FQ8
July 1, 2031	11,380,000	5.000	3.320	112.486	FR6
July 1, 2032	11,950,000	5.000	3.370	113.280	FS4
July 1, 2033	12,545,000	5.000	3.480	112.856[C]	FT2
July 1, 2034	13,175,000	5.000	3.630	111.501[C]	FU9
July 1, 2035	13,835,000	5.000	3.800	109.990[C]	FV7
July 1, 2036	14,525,000	5.000	3.870	109.375[C]	FW5
July 1, 2037	15,250,000	5.000	3.960	108.590[C]	FX3
July 1, 2038	16,010,000	5.000	4.020	108.070[C]	FY1
July 1, 2039	16,815,000	5.000	4.070	107.640[C]	FZ8
July 1, 2040	17,660,000	5.000	4.150	106.955[C]	GA2
July 1, 2041	18,535,000	5.000	4.220	106.360[C]	GB0
July 1, 2042	19,465,000	5.000	4.240	106.191[C]	GC8

$113,500,000 5.250% Term Tax-Exempt Bonds due July 1, 2047; Yield 4.390%; Price: 106.955%[C]; CUSIP† Suffix GD6

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[C] Priced to call at par on January 1, 2033.

LOS ANGELES UNIFIED SCHOOL DISTRICT
BOARD OF EDUCATION

District	Member	Term Ending
6	Kelly Gonez, President	December 11, 2022
1	Dr. George J. McKenna III	December 16, 2024
2	Mónica García	December 11, 2022
3	Scott Schmerelson	December 16, 2024
4	Nick Melvoin	December 11, 2022
5	Jackie Goldberg	December 16, 2024
7	Tanya Ortiz Franklin	December 16, 2024

DISTRICT OFFICIALS

Alberto M. Carvalho, Superintendent
Devora Navera Reed, General Counsel
David D. Hart, Chief Financial Officer
V. Luis Buendia, Deputy Chief Financial Officer
Joy Mayor, 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 Trust Company, National Association, as agent for the
Treasurer and Tax Collector of the County of Los Angeles
Los Angeles, California

SUSTAINABILITY BONDS EXTERNAL REVIEWER

Kestrel Verifiers
Hood River, Oregon

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.

THE BONDS HAVE NOT BEEN REGISTERED WITH THE U.S. SECURITIES AND EXCHANGE COMMISSION UNDER THE SECURITIES ACT OF 1933, AS AMENDED, NOR HAVE THE RESOLUTIONS 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 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.

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$500,000,000
LOS ANGELES UNIFIED SCHOOL DISTRICT
(County of Los Angeles, California)
General Obligation Bonds, Series QRR (2022)
(Dedicated Unlimited *Ad Valorem* Property Tax Bonds)
(Sustainability Bonds)

INTRODUCTION

This Introduction is not a summary of this Official Statement. It 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 and inside cover page, through the appendices hereto, and the documents summarized or described herein. The offering of the 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 $500,000,000 aggregate principal amount of Los Angeles Unified School District (County of Los Angeles, California) General Obligation Bonds, Series QRR (2022) (Dedicated Unlimited *Ad Valorem* Property Tax Bonds) (Sustainability Bonds) (the "Bonds") to be offered by the Los Angeles Unified School District (the "District"). The Bonds maturing on and after July 1, 2023 are referred to herein as the "Tax-Exempt Bonds." The Bonds maturing on January 1, 2023 are referred to herein as the "Federally Taxable Bonds."

The Bonds are issued by the County of Los Angeles, California (the "County") on behalf of the District pursuant to certain provisions of the California Education Code and other applicable law, the authorization received at an election held by the District as described herein, a resolution adopted by the Board of Education of the District (the "District Board") on June 21, 2022 (the "District Resolution"), and a resolution adopted by the Board of Supervisors of the County on September 27, 2022 (the "County Resolution" and, together with the District Resolution, the "Resolutions"). The Bonds are being issued to finance certain school facilities projects, including funding capitalized interest and paying principal on the Federally Taxable Bonds, and to pay the costs of issuance of the Bonds as more fully described herein. See "INTRODUCTION – Authority and Purpose for Issuance of the Bonds" and "PLAN OF FINANCE."

THE 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 BONDS ARE NOT AN OBLIGATION OF THE COUNTY, THE STATE OF CALIFORNIA OR OF THE GENERAL FUND OF THE DISTRICT. SEE "SECURITY AND SOURCE OF PAYMENT FOR THE BONDS."

The District

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

The District is the second largest public school district in the United States and is the largest public school district in the State. As of September 23, 2022, the transitional kindergarten through 12th grade enrollment in the District for fiscal year 2022-23 was approximately 422,276 students, including those attending magnet, opportunity, and continuation schools and centers, locally-funded affiliated charter schools ("Affiliated Charter Schools"), and schools for the handicapped. Such enrollment does not include students attending fiscally independent charter schools ("Fiscally Independent Charter Schools") that was budgeted at 113,474 students at the time of preparation of the District's original adopted budget for fiscal year 2022-23. For more information regarding District enrollment and average daily attendance, see APPENDIX A – "DISTRICT FINANCIAL INFORMATION AND REGIONAL ECONOMIC AND DEMOGRAPHIC INFORMATION – DISTRICT GENERAL INFORMATION – Enrollment and Average Daily Attendance." As of June 30, 2021, the District operated 1,218 schools and centers, which consisted of 438 elementary schools, 78 middle/junior high schools, 89 senior high schools, 54 options schools, 245 magnet centers, 65 magnet schools, 28 multi-level schools, 13 special education schools, 1 community adult school, 7 regional occupational centers, 2 skills centers, 87 early education centers, 4 infant centers, 18 primary school centers, and 89 California State preschools. As of June 30, 2021, 51 of the District's schools were operated as Affiliated Charter Schools. In addition, as of June 30, 2021, the District oversaw 229 Fiscally Independent Charter Schools within the District's boundaries. See APPENDIX A – "DISTRICT FINANCIAL INFORMATION AND REGIONAL ECONOMIC AND DEMOGRAPHIC INFORMATION – STATE FUNDING OF SCHOOL DISTRICTS – Charter School Funding."

Additional information on the District is set forth in Appendices A and B. See APPENDIX A – "DISTRICT FINANCIAL INFORMATION AND REGIONAL ECONOMIC AND DEMOGRAPHIC INFORMATION" and APPENDIX B – "AUDITED ANNUAL FINANCIAL REPORT OF THE DISTRICT FOR FISCAL YEAR ENDED JUNE 30, 2021." For specific information on the impact of the Coronavirus Disease 2019 ("COVID-19") pandemic (i) on the security and source of payment for the Bonds, see "SECURITY AND SOURCE OF PAYMENT FOR THE BONDS – Assessed Valuation of Property Within the District" and " – Tax Rates, Levies and Collections" and (ii) on the District's operations and finances, see APPENDIX A – "DISTRICT FINANCIAL INFORMATION AND REGIONAL ECONOMIC AND DEMOGRAPHIC INFORMATION – STATE FUNDING OF SCHOOL DISTRICTS – Infectious Disease Outbreak."

Changes from Preliminary Official Statement

In addition to pricing information relating to the Bonds, this final Official Statement reflects additional information relating to (i) the November 8, 2022 election and (ii) at least one recently filed claim in connection with the District's cybersecurity incident. For more information on District Board elections, see APPENDIX A – "DISTRICT FINANCIAL INFORMATION AND REGIONAL ECONOMIC AND DEMOGRAPHIC INFORMATION – DISTRICT GENERAL INFORMATION – District Governance; Senior Management – *District Board*." For more information on cybersecurity, see APPENDIX A – "DISTRICT FINANCIAL INFORMATION AND REGIONAL ECONOMIC AND DEMOGRAPHIC INFORMATION – DISTRICT GENERAL INFORMATION – Cybersecurity."

The District's General Obligation Bond Program

Voters within the District have approved a total of $27.605 billion of general obligation bonds in six separate bond elections since 1997, as delineated in Table 1 below, a portion of which are currently outstanding. Following the issuance of the Bonds, a total of $18.056 billion of the approved general obligation bonds will have been issued, with $9.549 billion remaining to be issued under the bond authorizations listed below (collectively, the "Authorizations"). See "SECURITY AND SOURCE OF PAYMENT FOR THE 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	3.870	0.000	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	3.985	0.000	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	3.751	3.249	New construction, acquisition, rehabilitation and upgrading of specifically identified school facilities, and installation and upgrading of information-technology infrastructure
Measure RR	November 3, 2020	71	7.000	0.700	6.300	New construction, acquisition, rehabilitation and upgrading of specifically identified school facilities, and implementing COVID-19 facility safety standards
	Total		$27.605	$18.056	$9.549	

(1) Measure K, Measure R, Measure Y, Measure Q and Measure RR 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*" 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 six Authorizations referred to above, the District has received State-matching funds and other revenue sources to fund the general obligation bond program's various projects. The District may continue to receive other revenue sources, including State-matching funds; however, additional funding is not guaranteed. The District's general obligation bond program has completed all projects that enabled the District to operate all schools on a traditional two-semester calendar in the 2018-19 school year. In addition, approximately 23,450 new school construction, rehabilitation, modernization and replacement 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 Bonds

The Bonds are issued pursuant to provisions of Section 1(b)(3) of Article XIIIA of the State Constitution, Chapters 1 and 1.5 of Part 10 of Division 1 of Title 1 of the California Education Code and other applicable law, the Measure Q Authorization (defined below), the Measure RR Authorization (defined below), and the Resolutions. A portion of the proceeds of the Bonds attributable to the Measure Q Authorization (defined below) will, after payment of costs of issuance thereto, fund certain school projects (collectively, the "Measure Q Projects") approved by voters in the November 4, 2008 election approving Measure Q (the "Measure Q Authorization"). A portion of the proceeds of the Bonds attributable to the Measure RR Authorization (defined below) will, after payment of costs of issuance therefor, fund certain school projects (collectively, the "Measure RR Projects") approved by voters in the November 3, 2020 election approving Measure RR (the "Measure RR Authorization"). A portion of the proceeds of the Bonds is also expected to fund capitalized interest on the Bonds through July 1, 2023 and pay principal on the Federally Taxable Bonds. See "PLAN OF FINANCE" and "ESTIMATED SOURCES AND USES OF FUNDS."

Security and Source of Payment for the Bonds

The 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 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 "applicable 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 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, will be secured by a statutory lien on all revenues received pursuant to the levy and collection of the tax. California Education Code Section 15251 provides for a similar lien for bonds issued and sold by school districts (including the Bonds) pursuant to Chapter 1 of Part 10 of Division 1 of Title 1 of the California Education Code. Section 53515 of the California Government Code and Section 15251 of the California Education Code provide that the lien will automatically arise, without the need for any action or authorization by the local agency or its governing board, and will be valid and binding from the time the bonds are executed and delivered. Section 53515 and Section 15251 further provide 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 or school district, as applicable, 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 BONDS – Statutory Lien on Taxes (Senate Bill 222)."

In addition, pursuant to the District Resolution, 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 applicable Interest and Sinking Fund of the District for the payment of the Bonds and all previously issued and outstanding general obligation bonds and general obligation refunding bonds of the District. The District Resolution provides that such pledge is valid and binding from the date thereof for the benefit of the owners of the Bonds and each issue of outstanding general obligation bonds and general obligation refunding bonds and successors thereto. The District Resolution provides that the property taxes and amounts held in each Interest and Sinking Fund of the District 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 such Interest and Sinking Fund of the District to secure the payment of the Bonds and each issue of outstanding general obligation bonds and general obligation refunding bonds and, pursuant to such resolutions, 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 BONDS."

Other Information

This Official Statement contains brief descriptions of, among other things, the District, the District's general obligation bond program, the Resolutions and certain matters relating to the security for the 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 Bonds will be on file, as applicable, at the principal office of U.S. Bank Trust Company, National Association, as agent to the Treasurer and Tax Collector of the County, as paying agent (the "Paying Agent"), in Los Angeles, California.

PLAN OF FINANCE

A portion of the proceeds of the Bonds attributable to the Measure Q Authorization will be applied to fund the costs of various components of the Measure Q Projects in accordance with the ballot measure for the Measure Q Authorization. The Measure Q Authorization includes a number of specifically identified projects that can be funded with the proceeds of the Bonds, which was summarized to the District's voters to include: repair/upgrade of aging/deteriorating classrooms, restrooms; upgrade fire/earthquake safety; reduce asbestos, lead paint, air pollution, water quality hazards; build/upgrade specialized classrooms students need to meet job/college requirements; improve classroom Internet access.

A portion of the proceeds of the Bonds attributable to the Measure RR Authorization will be applied to fund the costs of various components of the Measure RR Projects in accordance with the ballot measure for the Measure RR Authorization. The Measure RR Authorization includes a number of specifically identified projects that can be funded with the proceeds of the Bonds, which was summarized to the District's voters to include: update classrooms/labs/technology for 21st century learning; implement COVID-19 facility safety standards; address school facility inequities; reduce asbestos, earthquake and water quality hazards; and replace/renovate aging school classrooms/buildings.

A portion of the proceeds of the Bonds will also be used to pay the costs of issuance of the Bonds, including the underwriters' discount. Premium received from the Bonds will be used to pay capitalized interest on the Bonds and principal on the Federally Taxable Bonds.

DESIGNATION OF THE BONDS AS SUSTAINABILITY BONDS

The District, its counsel (including Bond Counsel and Disclosure Counsel), the Municipal Advisor, the Underwriters and their counsel have not independently confirmed or verified the information under this caption "DESIGNATION OF THE BONDS AS SUSTAINABILITY BONDS" or assumed any obligation to ensure that the Bonds comply with any legal or other standards or principles that may be related to Sustainability Bonds. The District has designated the Bonds as Sustainability Bonds based solely on their designation as Sustainability Bonds by Kestrel Verifiers. The designation of the Bonds as Sustainability Bonds does not entitle the Owner of any Bond to any benefit under the Code (as defined herein). Owners of the Bonds do not have any security other than as described under "SECURITY AND SOURCE OF PAYMENT FOR THE BONDS."

Sustainability Bonds Designation

Per the International Capital Market Association (the "ICMA"), Sustainability Bonds ("Sustainability Bonds") are bonds where the proceeds will be exclusively applied to finance or re-finance a combination of both "Green" and "Social" projects, which are described in more detail in Kestrel Verifiers' "Second Party Opinion." See APPENDIX H – "SUSTAINABILITY BONDS SECOND PARTY OPINION." Sustainability Bonds are aligned with the four core components of both the Green Bond Principles and Social Bond Principles. The four core components are: 1. Use of Proceeds; 2. Process for Project Evaluation and Selection; 3. Management of Proceeds; and 4. Reporting. For information on the District's reporting with respect to Sustainability Bonds, see APPENDIX H – "SUSTAINABILITY BONDS SECOND PARTY OPINION."

Kestrel Verifiers ("Kestrel Verifiers") has determined that the Bonds are in conformance with the four core components of the ICMA Sustainability Bond Guidelines, as described in Kestrel Verifiers' "Second Party Opinion." See APPENDIX H – "SUSTAINABILITY BONDS SECOND PARTY OPINION."

Independent Second Party Opinion on Sustainability Bonds Designation and Disclaimer

For over 20 years, Kestrel Verifiers has been consulting in sustainable finance. Kestrel Verifiers, a division of Kestrel 360, Inc. is an Approved Verifier accredited by the Climate Bonds Initiative and an Observer for the ICMA Green Bond Principles and Social Bond Principles. Kestrel Verifiers reviews transactions in all asset classes worldwide for alignment with ICMA Green Bond Principles, Social Bond Principles, Sustainability Bond Guidelines and the Climate Bonds Initiative Standards and criteria.

The Second Party Opinion issued by Kestrel Verifiers does not and is not intended to make any representation or give any assurance with respect to any other matter relating to the Bonds. Designations by Kestrel Verifiers are not a recommendation to any person to purchase, hold, or sell the Bonds and such labeling does not address the market price or suitability of these Bonds for a particular investor and does not and is not in any way intended to address the likelihood of timely payment of interest or principal when due.

In issuing the Second Party Opinion, Kestrel Verifiers has assumed and relied upon the accuracy and completeness of the information made publicly available by the District or that was otherwise made available to Kestrel Verifiers.

ESTIMATED SOURCES AND USES OF FUNDS

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

TABLE 2
ESTIMATED SOURCES AND USES OF FUNDS

Estimated Sources of Funds	
Principal Amount	$500,000,000.00
Original Issue Premium	35,694,112.30
Total Sources	$535,694,112.30
Estimated Uses of Funds	
Deposit to Building Fund	$490,986,683.20
Deposit to Interest and Sinking Fund(1)	35,694,112.30
Underwriters' Discount	870,104.65
Costs of Issuance(2)	8,143,212.15
Total Uses	$535,694,112.30

(1) Expected to fund capitalized interest on the Bonds through July 1, 2023, and pay principal on the Federally Taxable Bonds.
(2) Includes fees of Bond Counsel, Disclosure Counsel, Paying Agent, Municipal Advisor, rating agencies, and printer, and other miscellaneous expenses, including election costs relating to Measure RR.

THE BONDS

General Provisions

The 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 Bonds. Owners will not receive physical certificates representing their interest in the Bonds purchased, except in the event that use of the book-entry system for the Bonds is discontinued. Payments of principal of, premium, if any, and interest on the 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 Bonds. For information about the securities depository and DTC's book-entry system, see APPENDIX C – "BOOK-ENTRY ONLY SYSTEM."

The Bonds mature in the years and on the dates set forth on the inside front cover page hereof. Interest on the Tax-Exempt Bonds is payable on each January 1 and July 1 to maturity, commencing on January 1, 2023 (each, a "Tax-Exempt Interest Payment Date"). Interest on the Federally Taxable Bonds is payable at maturity (the "Taxable Interest Payment Date" and together with the Tax-Exempt Interest Payment Dates, the "Interest Payment Dates"). Interest on the Bonds will be computed on the basis of a 360-day year of twelve 30-day months. Each 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 Bonds.

Redemption

Optional Redemption. The Bonds maturing on or after July 1, 2033, are subject to redemption prior to their respective stated maturity dates, at the option of the District, from any source of available funds, as a whole or in part on any date on or after January 1, 2033, at a redemption price equal to the principal amount of such Bonds called for redemption, together with interest accrued thereon to the date of redemption, without premium.

Mandatory Sinking Fund Redemption. The Bonds maturing on July 1, 2047 are subject to mandatory sinking fund redemption on July 1 in each of the years and in the respective principal amounts as set forth in the following schedule, at a redemption price equal to 100% of the principal amount thereof to be redeemed, together with interest accrued thereon to the date fixed for redemption, without premium:

Mandatory Sinking Fund Redemption Date (July 1)	Principal Amount to be Redeemed
2043	$20,435,000
2044	21,515,000
2045	22,640,000
2046	23,830,000
2047†	25,080,000

† Maturity.

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

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

Notice of Redemption. Notice of any redemption of any Bonds is required to be mailed by the Paying Agent, postage prepaid, not less than twenty (20) nor more than sixty (60) days prior to the redemption date (i) by first class mail to the County and the respective Owners thereof at the addresses appearing on the bond registration books, and (ii) as may be further required in accordance with the Continuing Disclosure Certificate relating to the Bonds.

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

Effect of Notice. A certificate of the Paying Agent that the notice of redemption that has been given to Owners as herein provided shall be conclusive as against all parties. Neither the failure to receive the notice of redemption, nor any defect in such notice shall affect the sufficiency of the proceedings for the redemption of the Bonds called for redemption or the cessation of interest on the date fixed for redemption. When notice of redemption has been given substantially as provided for in the County Resolution, and when the redemption price of such Bonds called for redemption is set aside for the purpose as described in the County Resolution, the Bonds designated for redemption shall become due and payable on the specified redemption date and interest shall cease to accrue thereon as of the redemption date, and upon presentation and surrender of such Bonds at the place specified in the notice of redemption, such Bonds are required to be redeemed and paid at the redemption price thereof out of the money provided therefor. The Owners of such Bonds so called for redemption after such redemption date shall be entitled to payment thereof only from the applicable Interest and Sinking Fund or the trust or escrow fund established for such purpose. All Bonds redeemed will be cancelled forthwith by the Paying Agent and will not be reissued.

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

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

Defeasance and Unclaimed Moneys

Defeasance. If at any time the District pays or causes to be paid or there shall otherwise be paid to the Owners of any or all of the outstanding Bonds all or any part of the principal of and premium, if any, and interest on such Bonds at the times and in the manner provided in the County Resolution and in such Bonds, or as provided in the following paragraph, or as otherwise provided by law consistent herewith, then such Owners of such Bonds shall cease to be entitled to the obligation of the District as provided in the County Resolution, and such obligation and all agreements and covenants of the District and of the County to such Owners under the County Resolution and such 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 represented by such Bonds, but only out of monies on deposit in the escrow fund, the applicable Interest and Sinking Fund or otherwise held in trust for such payment; and provided further, however, that the provisions of the County Resolution, shall apply in all events. See "– Unclaimed Moneys" below.

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

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

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

Unclaimed Moneys. Any money held in any fund created pursuant to the County 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 Bonds, and remaining unclaimed for one year after the principal of all of the such Bonds has become due and payable (whether by maturity or upon prior redemption) shall be transferred to the applicable 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 BONDS

General Description

The 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 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). When collected, such *ad valorem* property taxes are required by law to be deposited in the applicable Interest and Sinking Fund of the District, 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 District's general obligation bonds, including the 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. The District does not receive such funds, nor are they available to pay any of the District's operating expenses.

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

Statutory Lien on Taxes (Senate Bill 222)

Pursuant to Section 53515 of the California Government Code (which became effective on January 1, 2016, as part of Senate Bill 222), all general obligation bonds issued by local agencies, including refunding bonds, will be secured by a statutory lien on all revenues received pursuant to the levy and collection of the tax. California Education Code Section 15251 provides for a similar lien for bonds issued and sold by school districts (including the Bonds) pursuant to Chapter 1 of Part 10 of Division 1 of Title 1 of the California Education Code. Section 53515 of the California Government Code and Section 15251 of the California Education Code provide that the lien will automatically arise, without the need for any action or authorization by the local agency or its governing board, and will be valid and binding from the time the bonds are executed and delivered. Section 53515 and Section 15251 further provide 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 or school district, as applicable, 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 Bonds, but also any other bonds of the District payable, as to both principal and interest, from the proceeds of *ad valorem* property taxes that may be levied pursuant to paragraphs (2) and (3) of subdivision (b) of Section 1 of Article XIII A of the California Constitution. The statutory lien provision does not specify the relative priority of obligations so secured or a method of allocation in the event that the revenues received pursuant to the levy and collection of the tax are insufficient to pay all amounts then due and owing that are secured by the statutory lien.

Pledge of Tax Revenues

Pursuant to the District Resolution, the District 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 applicable Interest and Sinking Fund of the District for the payment of the Bonds and all previously issued and outstanding general obligation bonds and general obligation refunding bonds of the District. Such District Resolution provides that such pledge is valid and binding from the date thereof for the benefit of the owners of the Bonds and each issue of outstanding general obligation bonds and general obligation refunding bonds and successors thereto. Such District Resolution also provides that the property taxes and amounts held in each Interest and Sinking Fund of the District 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 such Interest and Sinking Fund of the District to secure the payment of the Bonds and each issue of outstanding general obligation bonds and general obligation refunding bonds and, pursuant to the District Resolution, is effective, binding, and enforceable against the District, its successors, creditors and all others irrespective of whether those parties have notice of the pledge and without the need of any physical delivery, recordation, filing, or further act. The District Resolution provides that the pledge constitutes an agreement between the District and the owners of the Bonds to provide security for the Bonds in addition to any statutory lien that may exist, and the Bonds and each of the other bonds secured by the pledge are or were issued to finance or 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 District Resolution specifies that said lien secures the Bonds and other bonds that may be issued under the Resolutions. 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 District Resolution does not specify the relative priority of obligations so secured or a method of allocation in the event that the revenues received pursuant to the levy and collection of the tax are insufficient to pay all amounts then due and owing that are secured by the lien of the pledges.

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

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

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

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

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

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

Prospective purchasers of the 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 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 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 2022-23 Assessment Roll for property within the District's boundaries reflects an increase of approximately 7.24% in assessed value from the prior year. Under State law, in addition to reassessments requested by property owners pursuant to Proposition 8 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 "*—Appeals of Assessed Valuation; Blanket Reductions of Assessed Values*" below.

TABLE 3
LOS ANGELES UNIFIED SCHOOL DISTRICT
Historical Gross Assessed Valuation of Taxable Property[(1)]
Fiscal Years 2007-08 through 2022-23
($ 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	--	--
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	37,235,257	6.99
2016-17	581,473,213	24,495,794	605,969,007	35,799,543	6.28
2017-18	619,162,082	25,342,665	644,504,747	38,535,740	6.36
2018-19	665,355,078	27,377,547	692,732,625	48,227,878	7.48
2019-20	710,954,606	28,442,486	739,397,092	46,664,467	6.73
2020-21	759,004,739	28,679,270	787,684,010	48,286,918	6.53
2021-22	790,822,215	27,581,051	818,403,266	30,719,256	3.90
2022-23	848,435,713	29,196,328	877,632,041	59,228,775	7.24

(1) Full cash value.
(2) Includes utility valuations.
Source: California Municipal Statistics, Inc.

Assessed Valuation Reductions. Assessments may be adjusted during the course of the year when real property changes ownership or new construction is completed. Assessments may also be appealed by taxpayers seeking a reduction as a result of economic and other factors beyond the District's control, such as a general market decline in property values, including potential market declines caused by the effects of a 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), pandemic, or the complete or partial destruction of taxable property caused by natural or manmade disaster, such as earthquake, drought, flood, fire, toxic dumping, etc. When necessitated by changes in assessed value in the course of a year, taxes are pro-rated for each portion of the tax year.

In recent years, portions of California, including the County and adjacent counties, have experienced wildfires that have burned thousands of acres and destroyed thousands of homes and structures. Moreover, the District is located in a seismically active region. Active earthquake faults include the San Andreas Fault that runs throughout the County, the Palos Verdes fault that runs along the coast and through a small portion of the County, and other smaller faults including the Lower Elysian Park thrust, the Upper Elysian Park fault and Puente Hills blind thrust system. Furthermore, California has experienced severe drought conditions in recent years. Property damage due to wildfires or earthquakes and the economic effects of prolonged drought conditions could result in significant decreases in the assessed value of property in the District. In addition, a pandemic, like the COVID-19 pandemic, may result in an economic recession or depression that causes a general market decline in property values therefore affecting the assessed value of property in the District. For more information on the impact of the COVID-19 pandemic, see APPENDIX A – "DISTRICT FINANCIAL INFORMATION AND REGIONAL ECONOMIC AND DEMOGRAPHIC INFORMATION – STATE FUNDING OF SCHOOL DISTRICTS – Infectious Disease Outbreak." 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 Bonds. See also "*—Appeals of Assessed Valuation; Blanket Reductions of Assessed Values*" below.

Appeals of Assessed Valuation; Blanket Reductions of Assessed Values. There are two basic types of property tax assessment appeals provided for under State law. The first type of appeal, commonly referred to as a base year assessment appeal, involves a dispute on the valuation assigned by the assessor immediately subsequent to an instance of a change in ownership or completion of new construction. If the base year value assigned by the assessor is reduced, the valuation of the property cannot increase in subsequent years more than 2% annually unless and until another change in ownership and/or additional new construction or reconstruction activity occurs. Any base year appeal must be made within four years of the change of ownership or new construction date.

The second type of appeal, commonly referred to as a Proposition 8 appeal, can result if factors occur causing a decline in the market value of the property to a level below the property's then current taxable value (escalated base year value). Pursuant to State law, a property owner may apply for a Proposition 8 reduction of the property tax assessment for such owner's property by filing a written application with the appropriate county board of equalization or assessment appeals board. A property owner desiring a Proposition 8 reduction of the assessed value of such owner's property in any one year must submit an application to the county assessment appeals board (the "Appeals Board"). Following a review of the application by the county assessor's office, the county assessor may offer to the property owner the opportunity to stipulate to a reduced assessment, or may confirm the assessment. If no stipulation is agreed to, and the applicant elects to pursue the appeal, the matter is brought before the Appeals Board (or, in some cases, a hearing examiner) for a hearing and decision. The Appeals Board generally is required to determine the outcome of appeals within two years of each appeal's filing date. Any reduction in the assessment ultimately granted applies only to the year for which application is made and during which the written application is filed. The assessed value increases to its pre-reduction level (such pre-reduction level escalated by the annual inflation rate of no more than 2%) following the year for which the reduction application is filed. However, the county assessor has the power to grant a reduction not only for the year for which application was originally made, but also for the then current year and any intervening years as well. In practice, such a reduced assessment may and often does remain in effect beyond the year in which it is granted.

In addition, Article XIIIA of the State Constitution provides that the full cash value base of real property used in determining taxable value may be adjusted from year to year to reflect the inflationary rate, not to exceed a 2% increase for any given year, or may be reduced to reflect a reduction in the consumer price index or comparable local data. This measure is computed on a calendar year basis. According to representatives of the County assessor's office, the County has in the past, pursuant to Article XIIIA of the State Constitution, ordered blanket reductions of assessed property values and corresponding property tax bills on single family residential properties when the value of the property has declined below the current assessed value as calculated by the County.

No assurance can be given that property tax appeals and/or blanket reductions of assessed property values will not significantly reduce the assessed valuation of property within the District in the future.

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 2022-23.

TABLE 4
LOS ANGELES UNIFIED SCHOOL DISTRICT
Fiscal Year 2022-23 Assessed Valuation by Jurisdiction

Jurisdiction	Assessed Valuation in District	% of District	Assessed Valuation of Jurisdiction	% of Jurisdiction in District
City of Bell	$ 1,780,369,587	0.20%	$ 2,211,441,447	80.51%
City of Bell Gardens	69,512,525	0.01	2,274,461,607	3.06
City of Beverly Hills	202,055,134	0.02	42,734,220,528	0.47
City of Calabasas	735,556	0.00	9,915,137,132	0.01
City of Carson	17,682,639,317	2.01	19,660,564,597	89.94
City of Commerce	385,320,287	0.04	6,624,016,326	5.82
City of Cudahy	985,998,079	0.11	986,232,803	99.98
City of Culver City	60,186,158	0.01	15,561,988,828	0.39
City of Downey	663	0.00	14,317,719,833	0.00
City of Gardena	8,074,173,543	0.92	8,074,173,543	100.00
City of Hawthorne	864,936,384	0.10	10,073,968,075	8.59
City of Huntington Park	3,730,598,581	0.43	3,730,598,581	100.00
City of Inglewood	42,286,344	0.00	15,316,819,616	0.28
City of Lomita	2,931,538,879	0.33	2,931,538,879	100.00
City of Long Beach	422,658,068	0.05	71,174,746,288	0.59
City of Los Angeles	774,026,467,817	88.19	774,463,687,509	99.94
City of Lynwood	58,326,970	0.01	4,334,505,962	1.35
City of Maywood	1,264,984,016	0.14	1,264,984,016	100.00
City of Montebello	11,269,746	0.00	7,405,394,864	0.15
City of Monterey Park	287,080,040	0.03	9,260,167,533	3.10
City of Rancho Palos Verdes	1,503,299,661	0.17	15,603,612,987	9.63
City of Rolling Hills Estates	19,418,019	0.00	4,408,010,460	0.44
City of San Fernando	2,395,190,428	0.27	2,395,190,428	100.00
City of Santa Clarita	53,855	0.00	41,356,729,027	0.00
City of Santa Monica	1,088,088	0.00	46,509,915,848	0.00
City of South Gate	6,026,082,206	0.69	7,269,166,990	82.90
City of Torrance	61,233,838	0.01	36,292,789,170	0.17
City of Vernon	7,283,828,840	0.83	7,283,828,840	100.00
City of West Hollywood	15,985,983,055	1.82	15,985,983,055	100.00
Unincorporated Los Angeles County	31,474,725,169	3.59	130,367,507,513	24.14
Total District	$877,632,040,853	100.00%		
Los Angeles County	$877,632,040,853	100.00%	$1,894,097,540,559	46.34%

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 2022-23.

TABLE 5
LOS ANGELES UNIFIED SCHOOL DISTRICT
Assessed Valuation and Parcels by Land Use
Fiscal Year 2022-23

	2022-23 Assessed Valuation[1]	% of Total	No. of Parcels	% of Total
Non-Residential:				
Commercial/Office Building	$142,230,233,633	16.77%	51,021	5.28%
Industrial	90,477,901,135	10.67	24,964	2.58
Recreational	2,547,382,140	0.30	1,111	0.11
Government/Social/Institutional	4,470,672,227	0.53	5,089	0.53
Miscellaneous	486,970,348	0.06	1,003	0.10
Subtotal Non-Residential	$240,213,159,483	28.32%	83,188	8.60%
Residential:				
Single Family Residence	$384,118,034,269	45.28%	578,339	59.82%
Condominium/Townhouse	76,262,236,017	8.99	137,520	14.22
Mobile Home Related	506,762,809	0.06	115	0.01
2-4 Residential Units	50,931,069,848	6.00	96,339	9.96
5+ Residential Units/Apartments	91,105,626,791	10.74	42,031	4.35
Miscellaneous Residential	52,203,900	0.01	315	0.03
Subtotal Residential	$602,975,933,634	71.08%	854,659	88.40%
Vacant Parcels	$5,134,427,200	0.61%	28,999	3.00%
Total	$848,323,520,317	100.00%	966,846	100.00%

[1] Local Secured Assessed Valuation, excluding tax-exempt property.
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 2022-23.

TABLE 6
LOS ANGELES UNIFIED SCHOOL DISTRICT
Assessed Valuations of Single Family Homes Per Parcel
Fiscal Year 2022-23

	No. of Parcels	2022-23 Assessed Valuation	Average Assessed Valuation	Median Assessed Valuation
Single-Family Residential	578,339	$384,118,034,269	$664,175	$420,468

2022-23 Assessed Valuation	No. of Parcels(1)	% of Total	Cumulative % of Total	Total Valuation	% of Total	Cumulative % of Total
$0 - $99,999	49,898	8.628%	8.628%	$ 3,206,021,164	0.835%	0.835%
$100,000 - $199,999	69,049	11.939	20.567	10,577,575,950	2.754	3.588
$200,000 - $299,999	86,826	15.013	35.580	21,599,196,262	5.623	9.211
$300,000 - $399,999	70,703	12.225	47.805	24,624,539,384	6.411	15.622
$400,000 - $499,999	59,129	10.224	58.029	26,543,379,279	6.910	22.532
$500,000 - $599,999	49,719	8.597	66.626	27,248,435,449	7.094	29.626
$600,000 - $699,999	39,941	6.906	73.532	25,874,743,791	6.736	36.362
$700,000 - $799,999	29,961	5.181	78.713	22,393,535,078	5.830	42.192
$800,000 - $899,999	22,104	3.822	82.535	18,730,674,766	4.876	47.068
$900,000 - $999,999	16,102	2.784	85.319	15,246,477,915	3.969	51.038
$1,000,000 - $1,099,999	11,288	1.952	87.271	11,817,265,446	3.076	54.114
$1,100,000 - $1,199,999	8,741	1.511	88.782	10,028,056,072	2.611	56.725
$1,200,000 - $1,299,999	7,306	1.263	90.045	9,118,727,142	2.374	59.099
$1,300,000 - $1,399,999	6,491	1.122	91.168	8,750,901,628	2.278	61.377
$1,400,000 - $1,499,999	5,357	0.926	92.094	7,754,638,844	2.019	63.396
$1,500,000 - $1,599,999	4,739	0.819	92.913	7,334,638,786	1.909	65.305
$1,600,000 - $1,699,999	4,058	0.702	93.615	6,685,649,046	1.741	67.046
$1,700,000 - $1,799,999	3,522	0.609	94.224	6,154,439,465	1.602	68.648
$1,800,000 - $1,899,999	3,174	0.549	94.773	5,866,326,154	1.527	70.175
$1,900,000 - $1,999,999	2,748	0.475	95.248	5,350,894,698	1.393	71.568
$2,000,000 - $2,099,999	2,276	0.394	95.641	4,660,125,483	1.213	72.781
$2,100,000 - $2,199,999	2,010	0.348	95.989	4,317,090,279	1.124	73.905
$2,200,000 - $2,299,999	1,748	0.302	96.291	3,929,832,848	1.023	74.928
$2,300,000 - $2,399,999	1,668	0.288	96.580	3,917,488,542	1.020	75.948
$2,400,000 - $2,499,999	1,427	0.247	96.826	3,493,218,445	0.909	76.858
$2,500,000 - $2,599,999	1,271	0.220	97.046	3,239,759,508	0.843	77.701
$2,600,000 - $2,699,999	1,218	0.211	97.257	3,223,248,734	0.839	78.540
$2,700,000 - $2,799,999	1,099	0.190	97.447	3,018,735,356	0.786	79.326
$2,800,000 - $2,899,999	1,032	0.178	97.625	2,941,708,605	0.766	80.092
$2,900,000 - $2,999,999	890	0.154	97.779	2,623,024,577	0.683	80.775
$3,000,000 and greater	12,844	2.221	100.000	73,847,685,573	19.225	100.000
Total	578,339	100.000%		$384,118,034,269	100.000%	

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

Largest Secured Taxpayers in the District. The following Table 7 sets forth the twenty taxpayers with the greatest combined ownership of secured taxable property in the District on the fiscal year 2022-23 tax roll, and the secured 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 2022-23

	Property Owner	Primary Land Use	2022-23 Assessed Valuation	% of Total(2)
1.	Universal Studios LLC	Movie Studio	$ 2,701,431,131	0.32%
2.	Douglas Emmett LLC	Office Building	2,694,073,408	0.32
3.	Essex Portfolio LP	Apartments	2,358,854,107	0.28
4.	Rexford Industrial Realty LP	Industrial	1,535,566,702	0.18
5.	Century City Mall LLC	Shopping Center/Mall	1,112,961,754	0.13
6.	FSP South Flower Street	Office Building	984,033,481	0.12
7.	CJDB LLC	Shopping Center/Mall	948,049,199	0.11
8.	Greenland LA Metropolis	Residential/Retail	944,717,759	0.11
9.	Anheuser Busch Commercial	Industrial	884,416,862	0.10
10.	Rochelle H. Sterling	Apartments	880,314,539	0.10
11.	Hanjin International Corp.	Hotel	878,077,732	0.10
12.	Onni Wilshire Courtyard LLC	Office Building	810,563,773	0.10
13.	One Hundred Towers LLC	Office Building	701,264,997	0.08
14.	Trizec 333 LA LLC	Office Building	687,273,218	0.08
15.	Maguire Partners 355 S. Grand LLC	Office Building	642,741,850	0.08
16.	BRE HH Property Owner LLC	Office Building	637,804,909	0.08
17.	Olympic and Georgia Partners LLC	Hotel	612,072,446	0.07
18.	Tishman Speyer Archstone Smith	Apartments	611,707,343	0.07
19.	LA Live Properties LLC	Commercial	571,177,108	0.07
20.	Maguire Properties 555 W. Fifth	Office Building	563,507,944	0.07
			$21,760,610,262	2.57%

(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 Marathon Petroleum Corporation, Phillips 66 Company and Valero Energy Corporation, which are not reflected in the table above.
(2) Local Secured Assessed Valuation, excluding tax-exempt property and utility valuations: $848,323,520,317.
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

General. 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), pandemic, or the complete or partial destruction of taxable property caused by natural or manmade disaster such as earthquake, drought, flood, fire, 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.

In light of the financial hardship that many taxpayers experienced due to COVID-19 and the related recession, the Governor issued Executive Order N-61-20, which suspended, until May 6, 2021, the statutory requirements for the imposition of penalties, costs, and interest for the failure to pay property taxes on the secured or unsecured roll, or to pay a supplemental bill provided certain conditions had been met. For more information on the impact of the COVID-19 pandemic, see APPENDIX A – "DISTRICT FINANCIAL INFORMATION AND REGIONAL ECONOMIC AND DEMOGRAPHIC INFORMATION – STATE FUNDING OF SCHOOL DISTRICTS – Infectious Disease Outbreak."

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

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

State Government Code Sections 29100 through 29107 provide the procedures that all counties must follow for calculating tax rates. The secured tax levy within the District consists of the District's share of the 1% general *ad valorem* property and unitary taxes assessed on a County-wide basis and amounts levied that are in excess of the 1% general *ad valorem* property taxes. These tax receipts are part of the District's operations. In addition, the secured tax levy also includes the amount for the District's share of special voter-approved *ad valorem* property taxes assessed on a District-wide basis, such as the *ad valorem* property taxes assessed for the District's general obligation bonds issued pursuant to the Authorizations and any related general obligation refunding bonds. *Ad valorem* property taxes levied for general obligation bonds are deposited with the County and may only be applied to pay the principal of, redemption premium, if any, and interest on the District's general obligation bonds and general obligation refunding bonds. The District does not receive such funds nor are they available to pay any of the District's operating expenses. 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 30.22% of the total fiscal year 2022-23 assessed value of the District.

TABLE 8
LOS ANGELES UNIFIED SCHOOL DISTRICT
Typical Tax Rates per $100 of Assessed Valuation
Fiscal Years 2018-19 through 2022-23

	2018-19	2019-20	2020-21	2021-22	2022-23
General	1.000000%	1.000000%	1.000000%	1.000000%	1.000000%
Los Angeles Unified School District(1)	0.123226	0.125520	0.139929	0.113228	0.121072
Los Angeles Community College District(1)	0.046213	0.027175	0.040162	0.043759	0.024882
City of Los Angeles(1)	0.023107	0.018084	0.016538	0.014721	0.016066
Metropolitan Water District of Southern California(2)	0.003500	0.003500	0.003500	0.003500	0.003500
Total	1.196046%	1.174279%	1.200129%	1.175208%	1.165520%

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

Secured Tax Charges and Delinquencies. The following Table 9A sets forth the real property tax charges and corresponding delinquencies for the District's general obligation bond debt service levy, with respect to the property located in the District, for fiscal years 2010-11 through 2021-22. For reference and as an indication of comparative delinquency rates, Table 9B sets forth the real property tax charges and corresponding delinquencies for the portion of the County's 1% general fund levy that is allocated to the District, with respect to property located in the District for fiscal years 2010-11 through 2021-22. The portion of the County's 1% general fund levy that is allocated to the District is not pledged to and does not secure the repayment of Bonds.

TABLE 9
LOS ANGELES UNIFIED SCHOOL DISTRICT
Secured Tax Charges and Delinquencies
Fiscal Years 2010-11 through 2021-22

A. District General Obligation Bond Debt Service Levy

Fiscal Year	Secured Tax Charge(1)	Amount Delinquent June 30	Percentage Delinquent June 30
2010-11	$ 815,714,870.02	$22,578,439.40	2.77%
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
2016-17	762,676,169.42	10,152,397.66	1.33
2017-18	765,484,783.08	11,238,395.43	1.47
2018-19	826,147,438.29	13,737,180.29	1.66
2019-20	903,922,222.21	25,782,448.86	2.85
2020-21	1,072,754,468.10	22,715,092.01	2.12
2021-22	904,728,597.58	16,272,122.21	1.80

B. 1% General Fund Apportionment Levy

Fiscal Year	Secured Tax Charge(2)	Amount Delinquent June 30	Percentage Delinquent June 30
2010-11	$ 864,272,671.14	$20,743,141.46	2.40%
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
2016-17	1,142,718,955.32	13,595,654.87	1.19
2017-18	1,222,916,327.88	15,217,873.23	1.24
2018-19	1,311,715,583.78	17,950,532.81	1.37
2019-20	1,405,968,051.67	31,757,910.59	2.26
2020-21	1,499,191,370.12	25,590,654.61	1.71
2021-22	1,556,962,602.77	24,377,000.99	1.57

(1) District's general obligation bond debt service levy.
(2) 1% General Fund apportionment. Excludes redevelopment agency impounds.
Source: California Municipal Statistics, Inc.

Property tax delinquencies may be impacted by economic and other factors beyond the District's control, including the ability or willingness of property owners to pay property taxes during an economic recession or depression. An economic recession or depression could be caused by many factors outside the control of the District, including reduced consumer confidence, reduced real wages or reduced economic activity as a result of a pandemic or natural or manmade disaster, such as earthquake, drought, flood, fire, toxic dumping. It is not possible for the District to make any representation regarding the extent to which an economic recession or depression could impact the ability or willingness of property owners within the District to pay property taxes in the future. For more information on the impact of the COVID-19 pandemic, see APPENDIX A – "DISTRICT FINANCIAL INFORMATION AND REGIONAL ECONOMIC AND DEMOGRAPHIC INFORMATION – STATE FUNDING OF SCHOOL DISTRICTS – Infectious Disease Outbreak." If delinquencies increase substantially as a result of events outside the control of the District, the County does have the authority to increase allowances for annual reserves in the tax levy to avoid fluctuating tax levies.

The County Does Not Participate in a Teeter Plan. 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 Participates in CSDTFA. 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. Historically, CSDTFA has from time to time purchased 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. However, the District cannot predict whether CSDTFA will continue to make such purchases in the future. CSDTFA purchased the District's delinquent *ad valorem* tax receivables related to the 1% general *ad valorem* property tax levy attributable to fiscal year 2020-21 from the District at a purchase price equal to 110% of such receivables and is expected to purchase the District's delinquent *ad valorem* tax receivables related to the 1% general *ad valorem* property tax levy attributable to fiscal year 2021-22 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 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)
General Obligation Bonds, Series QRR (2022)
(Dedicated Unlimited *Ad Valorem* Property Tax Bonds)
(Sustainability Bonds)
Annual Debt Schedule[(1)]

Year Ending July 1,[(2)]	Principal	Interest	Total Debt Service
2023	$55,985,000.00	$14,548,672.71	$70,533,672.71
2024	19,745,000.00	22,484,500.00	42,229,500.00
2025	20,730,000.00	21,497,250.00	42,227,250.00
2026	21,765,000.00	20,460,750.00	42,225,750.00
2027	22,855,000.00	19,372,500.00	42,227,500.00
2028	23,995,000.00	18,229,750.00	42,224,750.00
2029	25,195,000.00	17,030,000.00	42,225,000.00
2030	15,085,000.00	15,770,250.00	30,855,250.00
2031	11,380,000.00	15,016,000.00	26,396,000.00
2032	11,950,000.00	14,447,000.00	26,397,000.00
2033	12,545,000.00	13,849,500.00	26,394,500.00
2034	13,175,000.00	13,222,250.00	26,397,250.00
2035	13,835,000.00	12,563,500.00	26,398,500.00
2036	14,525,000.00	11,871,750.00	26,396,750.00
2037	15,250,000.00	11,145,500.00	26,395,500.00
2038	16,010,000.00	10,383,000.00	26,393,000.00
2039	16,815,000.00	9,582,500.00	26,397,500.00
2040	17,660,000.00	8,741,750.00	26,401,750.00
2041	18,535,000.00	7,858,750.00	26,393,750.00
2042	19,465,000.00	6,932,000.00	26,397,000.00
2043	20,435,000.00	5,958,750.00	26,393,750.00
2044	21,515,000.00	4,885,912.50	26,400,912.50
2045	22,640,000.00	3,756,375.00	26,396,375.00
2046	23,830,000.00	2,567,775.00	26,397,775.00
2047	25,080,000.00	1,316,700.00	26,396,700.00
Total	$500,000,000.00	$303,492,685.21	$803,492,685.21

[(1)] For the semi-annual debt service obligations for the Bonds by measure, see APPENDIX G –"SEMI-ANNUAL DEBT SERVICE ON BONDS BY MEASURE."
[(2)] The Federally Taxable Bonds mature on January 1, 2023. Otherwise, the Tax-Exempt Bonds have principal maturing on July 1 in each of the years and in the amounts set forth on the inside front cover hereof.
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 all of the District's outstanding general obligation bonds, including the Bonds. For the semi-annual debt service obligations for the Bonds by measure, see APPENDIX G – "SEMI-ANNUAL DEBT SERVICE ON BONDS BY MEASURE." For more information on 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[1]

Semi-annual Period through	Outstanding General Obligation Bonds[2]	The Bonds: Principal	The Bonds: Interest	The Bonds: Semi Annual Debt Service	Total
January 1, 2023	$ 254,259,793	$ 32,585,000	$ 2,721,423	$ 35,306,423	$ 289,566,216
July 1, 2023	899,049,793	23,400,000	11,827,250	35,227,250	934,277,043
January 1, 2024	240,289,093	-	11,242,250	11,242,250	251,531,343
July 1, 2024	898,004,093	19,745,000	11,242,250	30,987,250	928,991,343
January 1, 2025	226,040,493	-	10,748,625	10,748,625	236,789,118
July 1, 2025	873,215,493	20,730,000	10,748,625	31,478,625	904,694,118
January 1, 2026	211,179,057	-	10,230,375	10,230,375	221,409,432
July 1, 2026	863,721,677	21,765,000	10,230,375	31,995,375	895,717,052
January 1, 2027	194,412,199	-	9,686,250	9,686,250	204,098,449
July 1, 2027	803,862,938	22,855,000	9,686,250	32,541,250	836,404,188
January 1, 2028	179,273,970	-	9,114,875	9,114,875	188,388,845
July 1, 2028	691,209,819	23,995,000	9,114,875	33,109,875	724,319,694
January 1, 2029	158,058,523	-	8,515,000	8,515,000	166,573,523
July 1, 2029	737,203,523	25,195,000	8,515,000	33,710,000	770,913,523
January 1, 2030	143,356,629	-	7,885,125	7,885,125	151,241,754
July 1, 2030	767,846,629	15,085,000	7,885,125	22,970,125	790,816,754
January 1, 2031	126,139,598	-	7,508,000	7,508,000	133,647,598
July 1, 2031	801,884,598	11,380,000	7,508,000	18,888,000	820,772,598
January 1, 2032	108,160,400	-	7,223,500	7,223,500	115,383,900
July 1, 2032	836,945,400	11,950,000	7,223,500	19,173,500	856,118,900
January 1, 2033	88,084,998	-	6,924,750	6,924,750	95,009,748
July 1, 2033	847,884,998	12,545,000	6,924,750	19,469,750	867,354,748
January 1, 2034	93,830,766	-	6,611,125	6,611,125	100,441,891
July 1, 2034	799,216,041	13,175,000	6,611,125	19,786,125	819,002,166
January 1, 2035	43,968,794	-	6,281,750	6,281,750	50,250,544
July 1, 2035	229,793,794	13,835,000	6,281,750	20,116,750	249,910,544
January 1, 2036	39,835,319	-	5,935,875	5,935,875	45,771,194
July 1, 2036	233,935,319	14,525,000	5,935,875	20,460,875	254,396,194
January 1, 2037	35,735,106	-	5,572,750	5,572,750	41,307,856
July 1, 2037	238,035,106	15,250,000	5,572,750	20,822,750	258,857,856
January 1, 2038	31,271,806	-	5,191,500	5,191,500	36,463,306
July 1, 2038	242,491,806	16,010,000	5,191,500	21,201,500	263,693,306
January 1, 2039	26,686,763	-	4,791,250	4,791,250	31,478,013
July 1, 2039	247,076,763	16,815,000	4,791,250	21,606,250	268,683,013
January 1, 2040	21,721,975	-	4,370,875	4,370,875	26,092,850
July 1, 2040	252,046,975	17,660,000	4,370,875	22,030,875	274,077,850
January 1, 2041	16,525,775	-	3,929,375	3,929,375	20,455,150
July 1, 2041	212,580,775	18,535,000	3,929,375	22,464,375	235,045,150
January 1, 2042	12,110,144	-	3,466,000	3,466,000	15,576,144
July 1, 2042	216,990,144	19,465,000	3,466,000	22,931,000	239,921,144
January 1, 2043	7,581,950	-	2,979,375	2,979,375	10,561,325
July 1, 2043	133,911,950	20,435,000	2,979,375	23,414,375	157,326,325
January 1, 2044	5,123,481	-	2,442,956	2,442,956	7,566,438
July 1, 2044	136,373,481	21,515,000	2,442,956	23,957,956	160,331,438
January 1, 2045	2,568,400	-	1,878,188	1,878,188	4,446,588
July 1, 2045	138,933,400	22,640,000	1,878,188	24,518,188	163,451,588
January 1, 2046	464,634	-	1,283,888	1,283,888	1,748,522
July 1, 2046	27,379,634	23,830,000	1,283,888	25,113,888	52,493,522
January 1, 2047	--	-	658,350	658,350	658,350
July 1, 2047	--	25,080,000	658,350	25,738,350	25,738,350
Total[3]	$14,396,273,816	$500,000,000	$303,492,685	$803,492,685	$15,199,766,501

(1) The Federally Taxable Bonds mature on January 1, 2023. Otherwise, the Tax-Exempt Bonds have principal maturing on July 1 in each of the years and in the amounts set forth on the inside front cover page hereof.

(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 $27.605 billion of general obligation bonds in six separate bond elections since 1997. See APPENDIX A – "DISTRICT FINANCIAL INFORMATION AND REGIONAL ECONOMIC AND DEMOGRAPHIC INFORMATION – DISTRICT FINANCIAL INFORMATION – District Debt" 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 2022-23 is $877.63 billion, which results in a total current bonding capacity of approximately $21.94 billion. The District's available capacity for the issuance of new general obligation bonds is approximately $11.70 billion (taking into account current outstanding debt before the issuance of the Bonds). The issuance of additional series of general obligation bonds, other than general obligation refunding bonds, in future fiscal years will depend upon, among other things, the assessed valuation of property within the District's boundaries, as determined by the District's analysis of information from, among other sources, the Office of the County Assessor. See "– California Constitutional and Statutory Provisions Relating to *Ad Valorem* Property Taxes" above and APPENDIX A – "DISTRICT FINANCIAL INFORMATION AND REGIONAL ECONOMIC AND DEMOGRAPHIC INFORMATION – DISTRICT FINANCIAL INFORMATION – Future Financings – *General Obligation Bonds*."

Overlapping Debt Obligations

Set forth in Table 12 on the following page is the report prepared by California Municipal Statistics Inc. on September 19, 2022, which provides information with respect to direct and overlapping debt within the District as of October 1, 2022 (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 September 19, 2022

2022-23 Assessed Valuation: $877,632,040,853

	% Applicable	Debt 10/1/22
DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:		
Metropolitan Water District	24.052%	$ 4,852,491
Los Angeles Community College District	81.887	3,276,077,775
Pasadena Area Community College District	0.001	520
Los Angeles Unified School District	100.000	10,237,310,000[(1)]
City of Los Angeles	99.944	649,880,863
Other Cities	Various	21,004,879
City Community Facilities Districts	100.000	82,830,000
Other City and Special District 1915 Act Bonds	0.006-100.000	20,139,235
TOTAL GROSS DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		$14,292,095,763
Less: Los Angeles Unified School District General Obligation Bonds, Election of 2005, Series J (2010) Qualified School Construction Bonds and Election of 2005, Series H (2009) Qualified School Construction Bonds: Amount accumulated in Interest and Sinking Fund and Set Asides for Repayment		225,245,000[(2)]
TOTAL NET DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		$14,066,850,763
DIRECT AND OVERLAPPING GENERAL FUND DEBT:		
Los Angeles County General Fund Obligations	46.335%	$1,234,421,117
Los Angeles County Superintendent of Schools Certificates of Participation	46.335	1,577,006
Pasadena Area Community College District Certificates of Participation	0.001	288
Los Angeles Unified School District Certificates of Participation	100.000	97,870,000
City of Los Angeles General Fund Obligations	99.944	1,424,035,850
Other City General Fund and Pension Obligation Bonds	Various	483,023,512
Los Angeles County Sanitation District Nos. 1,2,4,5,8,9,16 & 23 Authorities	Various	1,081,225
TOTAL GROSS DIRECT AND OVERLAPPING GENERAL FUND DEBT		$3,242,008,998
Less: City supported obligations		213,418
TOTAL NET DIRECT AND OVERLAPPING GENERAL FUND DEBT		$3,241,795,580
OVERLAPPING TAX INCREMENT DEBT:		
City of Los Angeles Redevelopment Agency (Successor Agency)	100.000%	$287,095,000
Other Redevelopment Agencies (Successor Agency)	Various	215,930,714
TOTAL OVERLAPPING TAX INCREMENT DEBT		$503,025,714
GROSS COMBINED TOTAL DEBT		$18,037,130,475[(3)]
NET COMBINED TOTAL DEBT		$17,811,672,057

Ratios to 2022-23 Assessed Valuation:

Direct Debt ($10,237,310,000)	1.17%
Net Direct Debt ($10,012,065,000)	1.14%
Total Gross Overlapping Tax and Assessment Debt	1.63%
Total Net Overlapping Tax and Assessment Debt	1.60%
Gross Combined Direct Debt ($10,335,180,000)	1.18%
Net Combined Direct Debt ($10,109,935,000)	1.15%
Gross Combined Total Debt	2.06%
Net Combined Total Debt	2.03%

Ratios to Redevelopment Incremental Valuation ($87,195,118,137):

Total Overlapping Tax Increment Debt	0.58%

(1) Excludes the Bonds.
(2) Set aside amount through fiscal year 2021-22.
(3) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and non-bonded capital lease obligations.
Source: California Municipal Statistics, Inc.

TAX MATTERS

Tax-Exempt Bonds

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 Tax-Exempt 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 Tax-Exempt Bonds is not treated as a preference item in calculating the alternative minimum tax under the Code, however for tax years beginning after December 31, 2022, interest on the Tax-Exempt Bonds is included in calculating the "adjusted financial statement income" of certain corporations that are subject to the alternative minimum tax under Section 55 of the Code. In rendering its opinion, Bond Counsel has relied on certain representations, certifications of fact, and statements of reasonable expectations made by the District in connection with the Tax-Exempt 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 Tax-Exempt Bonds from gross income under Section 103 of the Code.

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

Bond Counsel expresses no opinion as to any other Federal, state or local tax consequences arising with respect to the Tax-Exempt Bonds, or the ownership or disposition thereof, except as stated above. Bond Counsel renders its opinion under existing statutes and court decisions as of the issue date, and assumes no obligation to update, revise or supplement its opinion to reflect any action thereafter taken or not taken, any fact or circumstance that may thereafter come to its attention, any change in law or interpretation thereof that may thereafter occur, or for any other reason. Bond Counsel expresses no opinion as to the consequence of any of the events described in the preceding sentence or the likelihood of their occurrence. In addition, Bond Counsel expresses no opinion on the effect of any action taken or not taken in reliance upon an opinion of other counsel regarding Federal, state or local tax matters, including, without limitation, exclusion from gross income for Federal income tax purposes of interest on the Tax-Exempt Bonds.

Certain Ongoing Federal Tax Requirements and Covenants. The Code establishes certain ongoing requirements that must be met subsequent to the issuance and delivery of the Tax-Exempt Bonds in order that interest on the Tax-Exempt 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 Tax-Exempt 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 Tax-Exempt 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 Tax-Exempt 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 Tax-Exempt Bonds. It does not purport to address all aspects of Federal taxation that may be relevant to a particular owner of a Tax-Exempt 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 Tax-Exempt Bonds.

Prospective owners of the Tax-Exempt 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 Tax-Exempt 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.

Original Issue Discount. "Original issue discount" ("OID") is the excess of the sum of all amounts payable at the stated maturity of a Tax-Exempt Bond (excluding certain "qualified stated interest" that is unconditionally payable at least annually at prescribed rates) over the issue price of that maturity. In general, the "issue price" of a maturity (a bond with the same maturity date, interest rate, and credit terms) means the first price at which at least 10 percent of such maturity was sold to the public, i.e., a purchaser who is not, directly or indirectly, a signatory to a written contract to participate in the initial sale of the Tax-Exempt Bonds. In general, the issue price for each maturity of Tax-Exempt Bonds is expected to be the initial public offering price set forth on the cover page of the Official Statement. Bond Counsel further is of the opinion that, for any Tax-Exempt Bonds having OID (a "Discount Bond"), OID that has accrued and is properly allocable to the owners of the Discount Bonds under Section 1288 of the Code is excludable from gross income for federal income tax purposes to the same extent as other interest on the Tax-Exempt Bonds.

In general, under Section 1288 of the Code, OID on a Discount Bond accrues under a constant yield method, based on periodic compounding of interest over prescribed accrual periods using a compounding rate determined by reference to the yield on that Discount Bond. An owner's adjusted basis in a Discount Bond is increased by accrued OID for purposes of determining gain or loss on sale, exchange, or other disposition of such Tax-Exempt Bond. Accrued OID may be taken into account as an increase in the amount of tax-exempt income received or deemed to have been received for purposes of determining various other tax consequences of owning a Discount Bond even though there will not be a corresponding cash payment.

Owners of Discount Bonds should consult their own tax advisors with respect to the treatment of original issue discount for federal income tax purposes, including various special rules relating thereto, and the state and local tax consequences of acquiring, holding, and disposing of Discount Bonds.

Bond Premium. In general, if an owner acquires a Tax-Exempt Bond for a purchase price (excluding accrued interest) or otherwise at a tax basis that reflects a premium over the sum of all amounts payable on the Tax-Exempt 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 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, 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 Tax-Exempt 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 Tax-Exempt 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 Tax-Exempt 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 Tax-Exempt Bonds under Federal or state law or otherwise prevent beneficial owners of the Tax-Exempt 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 Tax-Exempt Bonds.

Prospective purchasers of the Tax-Exempt Bonds should consult their own tax advisors regarding the foregoing matters.

The proposed form of the opinion of Hawkins Delafield & Wood LLP relating to the Tax-Exempt Bonds is set forth in APPENDIX D — "PROPOSED FORM OF OPINION OF BOND COUNSEL."

Federally Taxable Bonds

General. In the opinion of Hawkins Delafield & Wood LLP, Bond Counsel to the District, interest on the Federally Taxable Bonds (i) is included in gross income for Federal income tax purposes pursuant to the Code and (ii) is exempt, under existing statutes, from personal income taxes imposed by the State of California.

The following discussion is a summary of the principal United States Federal income tax consequences of the acquisition, ownership and disposition of the Federally Taxable Bonds by original purchasers of the Federally Taxable Bonds who are U.S. Holders (as defined below). This summary is based on the Code, Treasury regulations, revenue rulings and court decisions, all as now in effect and all subject to change at any time, possibly with retroactive effect. This summary assumes that the Federally Taxable Bonds will be held as "capital assets" under the Code, and it does not discuss all of the United States Federal income tax consequences that may be relevant to a U.S. Holder in light of its particular circumstances or to U.S. Holders subject to special rules, such as insurance companies, financial institutions, tax-exempt organizations, dealers in securities or foreign currencies, persons holding the Federally Taxable Bonds as a position in a "hedge" or "straddle" for United States Federal income tax purposes, U.S. Holders whose functional currency (as defined in Section 985 of the Code) is not the United States dollar, U.S. Holders who acquire Federally Taxable Bonds in the secondary market, or individuals, estates and trusts subject to the tax on unearned income imposed by Section 1411 of the Code. Each prospective purchaser of the Federally Taxable Bonds should consult with its own tax advisor concerning the United States Federal income tax and other tax consequences to it of the acquisition, ownership and disposition of the Federally Taxable Bonds as well as any tax consequences that may arise under the laws of any state, local or foreign tax jurisdiction.

Certain taxpayers that are required to prepare certified financial statements and file such financial statements with certain regulatory or governmental agencies may be required to recognize income, gain and loss with respect to the Federally Taxable Bonds at the time that such income, gain or loss is taken into account on such financial statements instead of under the rules described below. In addition, for tax years beginning after December 31, 2022, interest on the Federally Taxable Bonds is included in the "adjusted financial statement income" of certain corporations that are subject to the alternative minimum tax under Section 55 of the Code.

As used herein, the term "U.S. Holder" means a beneficial owner of a Federally Taxable Bond that is for United States Federal income tax purposes (i) a citizen or resident of the United States, (ii) a corporation, partnership or other entity created or organized in or under the laws of the United States or of any political subdivision thereof, (iii) an estate the income of which is subject to United States Federal income taxation regardless of its source or (iv) a trust whose administration is subject to the primary jurisdiction of a United States court and which has one or more United States fiduciaries who have the authority to control all substantial decisions of the trust.

U.S. Holders—Interest Income. Interest and original issue discount (as defined below) on the Federally Taxable Bonds are included in gross income for United States Federal income tax purposes.

Original Issue Discount. For United States Federal income tax purposes, a Federally Taxable Bond will be treated as issued with original issue discount ("OID") if the excess of a Federally Taxable Bond's "stated redemption price at maturity" over its "issue price" equals or exceeds a statutorily determined de minimis amount. The "issue price" of each Federally Taxable Bond in a particular issue equals the first price at which a substantial amount of such Federally Taxable Bond is sold to the public (excluding bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers). The "stated redemption price at maturity" of a Federally Taxable Bond is the sum of all payments provided by such Federally Taxable Bond other than "qualified stated interest" payments. The term "qualified stated interest" generally means stated interest that is unconditionally payable in cash or property (other than debt instruments of the issuer) at least annually at a single fixed rate. In general, if the excess of a Federally Taxable Bond's stated redemption price at maturity over its issue price is less than 0.25 percent of the Federally Taxable Bond's stated redemption price at maturity multiplied by the number of complete years to its maturity (the "de minimis amount"), then such excess, if any, constitutes de minimis OID, and the Federally Taxable Bond is not treated as being issued with OID and all payments of stated interest (including stated interest that would otherwise be characterized as OID) is treated as qualified stated interest, as described below.

Payments of qualified stated interest on a Federally Taxable Bond are taxable to a U.S. Holder as ordinary interest income at the time such payments are accrued or are received in accordance with the U.S. Holder's regular method of tax accounting. A U.S. Holder of a Federally Taxable Bond having a maturity of more than one year from its date of issue generally must include OID in income as ordinary interest as it accrues on a constant-yield method in advance of receipt of the cash payments attributable to such income, regardless of such U.S. Holder's regular method of tax accounting. The amount of OID included in income by the U.S. Holder of a Federally Taxable Bond is the sum of the daily portions of OID with respect to such Federally Taxable Bond for each day during the taxable year (or portion of the taxable year) on which such U.S. Holder held such Federally Taxable Bond. The daily portion of OID on any Federally Taxable Bond is determined by allocating to each day in any "accrual period" a ratable portion of the OID allocable to the accrual period. All accrual periods with respect to a Federally Taxable Bond may be of any length and the accrual periods may vary in length over the term of the Federally Taxable Bond, provided that each accrual period is no longer than one year and each scheduled payment of principal or interest occurs either on the first or final day of an accrual period. The amount of OID allocable to an accrual period is generally equal to the difference between (i) the product of the Federally Taxable Bond's "adjusted issue price" at the beginning of such accrual period and such Federally Taxable Bond's yield to maturity (determined on the basis of compounding at the close of each accrual period and appropriately adjusted to take into account the length of the particular accrual period) and (ii) the amount of any qualified stated interest payments allocable to such accrual period. The "adjusted issue price" of a Federally Taxable Bond at the beginning of any accrual period is the issue price of the Federally Taxable Bond plus the amount of accrued OID includable in income for all prior accrual periods minus the amount of any prior payments on the Federally Taxable Bond other than qualified stated interest payments. The amount of OID allocable to an initial short accrual period may be computed using any reasonable method if all other accrual periods other than a final short accrual period are of equal length. The amount of OID allocable to the final accrual period is the difference between (i) the amount payable at the maturity of the Federally Taxable Bond (other than a payment of qualified stated interest) and (ii) the Federally Taxable Bond's adjusted issue price as of the beginning of the final accrual period. Under the OID rules, U.S. Holders generally will have to include in income increasingly greater amounts of OID in successive accrual periods.

A U.S. Holder may elect to include in gross income all interest that accrues on a Federally Taxable Bond using the constant-yield method described immediately above under the heading "Original Issue Discount," with the modifications described below. For purposes of this election, interest includes, among other things, stated interest, OID and de minimis OID, as adjusted by any amortizable bond premium described below under the heading "Bond Premium". In applying the constant-yield method to a Federally Taxable Bond with respect to which this election has been made, the issue price of the Federally Taxable Bond will equal its cost to the electing U.S. Holder, the issue date of the Federally Taxable Bond will be the date of its acquisition by the electing U.S. Holder, and no payments on the Federally Taxable Bond will be treated as payments of qualified stated interest. The election will generally apply only to the Federally Taxable Bond with respect to which it is made and may not be revoked without the consent of the Internal Revenue Service. If this election is made with respect to a Federally Taxable Bond with amortizable bond premium, then the electing U.S. Holder will be deemed to have elected to apply amortizable bond premium against interest with respect to all debt instruments with amortizable bond premium (other than debt instruments the interest on which is excludable from gross income) held by the electing U.S. Holder as of the beginning of the taxable year in which the Federally Taxable Bond with respect to which the election is made is acquired or thereafter acquired. The deemed election with respect to amortizable bond premium may not be revoked without the consent of the Internal Revenue Service.

U.S. Holders of any Federally Taxable Bonds issued with OID should consult their own tax advisors with respect to the treatment of OID for Federal income tax purposes, including various special rules relating thereto, and state and local tax consequences, in connection with the acquisition, ownership, and disposition of Federally Taxable Bonds.

Acquisition Discount on Short-Term Federally Taxable Bonds. Each U.S. Holder of a Federally Taxable Bond with a maturity not longer than one year (a "Short-Term Federally Taxable Bond") is subject to rules of Sections 1281 through 1283 of the Code, if such U.S. Holder is an accrual method taxpayer, bank, regulated investment company, common trust fund or among certain types of pass-through entities, or if the Short-Term Federally Taxable Bond is held primarily for sale to customers, is identified under Section 1256(e)(2) of the Code as part of a hedging transaction, or is a stripped bond or coupon held by the person responsible for the underlying stripping transaction. In any such instance, interest on, and "acquisition discount" with respect to, the Short-Term Federally Taxable Bond accrue on a ratable (straight-line) basis, subject to an election to accrue such interest and acquisition discount on a constant-interest-rate basis using daily compounding. "Acquisition discount" means the excess of the stated redemption price of a Short-Term Federally Taxable Bond at maturity over the U.S. Holder's tax basis therefor.

A U.S. Holder of a Short-Term Federally Taxable Bond not described in the preceding paragraph, including a cash-method taxpayer, must report interest income in accordance with the U.S. Holder's regular method of tax accounting, unless such U.S. Holder irrevocably elects to accrue acquisition discount currently.

Bond Premium. In general, if a U.S. Holder acquires a Federally Taxable Bond for a purchase price (excluding accrued interest) or otherwise at a tax basis that reflects a premium over the sum of all amounts payable on the Federally Taxable 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 Federally Taxable Bond (a "Taxable Premium Bond"). In general, if a U.S. Holder of a Taxable Premium Bond elects to amortize the premium as "amortizable bond premium" over the remaining term of the Taxable Premium Bond, determined based on constant yield principles (in certain cases involving a Taxable 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 highest yield on such bond), the amortizable premium is treated as an offset to interest income; the U.S. Holder will make a corresponding adjustment to such U.S. Holder's basis in the Taxable Premium Bond. Any such election applies to all debt instruments of the U.S. Holder (other than tax-exempt bonds) held at the beginning of the first taxable year to which the election applies and to all such debt instruments thereafter acquired, and is irrevocable without the Internal Revenue Service's consent. A U.S. Holder of a Taxable Premium Bond that so elects to amortize bond premium does so by offsetting the qualified stated interest allocable to each interest accrual period under the U.S. Holder's regular method of Federal tax accounting against the bond premium allocable to that period. If the bond premium allocable to an accrual period exceeds the qualified stated interest allocable to that accrual period, the excess is treated as a bond premium deduction under Section 171(a)(1) of the Code, subject to certain limitations. If a Taxable Premium Bond is optionally callable before maturity at a price in excess of its stated redemption price at maturity, special rules may apply with respect to the amortization of bond premium. Under certain circumstances, the U.S. Holder of a Taxable Premium Bond may realize a taxable gain upon disposition of the Taxable Premium Bond even though it is sold or redeemed for an amount less than or equal to the U.S. Holder's original acquisition cost.

U.S. Holders of any Taxable Premium Bonds should consult their own tax advisors with respect to 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, and disposition of Taxable Premium Bonds.

U.S. Holders—Disposition of Federally Taxable Bonds. Except as discussed above, upon the sale, exchange, redemption, or other disposition (which would include a legal defeasance) of a Federally Taxable Bond, a U.S. Holder generally will recognize taxable gain or loss in an amount equal to the difference between the amount realized (other than amounts attributable to accrued interest not previously includable in income) and such U.S. Holder's adjusted tax basis in the Federally Taxable Bond. A U.S. Holder's adjusted tax basis in a Federally Taxable Bond generally will equal such U.S. Holder's initial investment in the Federally Taxable Bond, increased by any OID included in the U.S. Holder's income with respect to the Federally Taxable Bond and decreased by the amount of any payments, other than qualified stated interest payments, received and bond premium amortized with respect to such Federally Taxable Bond. Such gain or loss generally will be long-term capital gain or loss if the Federally Taxable Bond was held for more than one year.

U.S. Holders—Defeasance. U.S. Holders of the Federally Taxable Bonds should be aware that, for Federal income tax purposes, the deposit of moneys or securities in escrow in such amount and manner as to cause the Federally Taxable Bonds to be deemed to be no longer outstanding under the Resolutions (a "defeasance"), could result in a deemed exchange under Section 1001 of the Code and a recognition by such owner of taxable income or loss, without any corresponding receipt of moneys. In addition, for Federal income tax purposes, the character and timing of receipt of payments on the Federally Taxable Bonds subsequent to any such defeasance could also be affected. U.S. Holders of the Federally Taxable Bonds are advised to consult with their own tax advisors regarding the consequences of a defeasance for Federal income tax purposes, and for state and local tax purposes.

U.S. Holders—Backup Withholding and Information Reporting. In general, information reporting requirements will apply to non-corporate U.S. Holders with respect to payments of principal, payments of interest, and the accrual of OID on a Federally Taxable Bond and the proceeds of the sale of a Federally Taxable Bond before maturity within the United States. Backup withholding at a rate provided for in the Code will apply to such payments and to payments of OID unless the U.S. Holder (i) is a corporation or other exempt recipient and, when required, demonstrates that fact, or (ii) provides a correct taxpayer identification number, certifies under penalties of perjury, when required, that such U.S. Holder is not subject to backup withholding and has not been notified by the Internal Revenue Service that it has failed to report all interest and dividends required to be shown on its United States Federal income tax returns.

Any amounts withheld under the backup withholding rules from a payment to a beneficial owner, and which constitutes over-withholding, would be allowed as a refund or a credit against such beneficial owner's United States Federal income tax provided 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 Federally Taxable Bonds under state law and could affect the market price or marketability of the Federally Taxable Bonds.

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

The proposed form of the opinion of Hawkins Delafield & Wood LLP relating to the Federally Taxable Bonds is set forth in APPENDIX D — "PROPOSED FORM OF OPINION OF BOND COUNSEL."

LEGAL MATTERS

Possible Limitations on Remedies; Bankruptcy

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

Bankruptcy courts are courts of equity and as such have broad discretionary powers. If the District were to become the debtor in a proceeding under Chapter 9 of the Bankruptcy Code, then the "automatic stay" provisions of the Bankruptcy Code would prohibit the parties from taking any action to collect any amount from the District or the County (including *ad valorem* tax revenues) or to enforce any obligation of the District or the County, 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 Bonds and other transaction documents related to the 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 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 Bonds, or other losses on the Bonds. Moreover, regardless of any specific adverse determinations in any District bankruptcy proceeding, the existence of a District bankruptcy proceeding could have an adverse effect on the liquidity and market price of the 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 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 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 the Bonds and 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 bonds are executed and delivered. See "SECURITY AND SOURCE OF PAYMENT FOR THE 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, preventing bondholders from enforcing their rights to payment from such tax collections without permission of the bankruptcy court, and payments that become due and owing on the Bonds during the pendency of the Chapter 9 proceeding could be delayed.

Special Revenues. If the *ad valorem* tax revenues that are pledged to the payment of the Bonds (see "SECURITY AND SOURCE OF PAYMENT FOR THE 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 Bonds. 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. However, there is no binding judicial precedent dealing with the treatment in bankruptcy proceedings of *ad valorem* tax revenues collected for the payment of bonds in California, and no assurance can be given that a bankruptcy court will hold that the *ad valorem* tax revenues are special revenues within the meaning of the Bankruptcy Code.

The Bankruptcy Code provides that there is no stay of application of pledged special revenues to payment of indebtedness secured by such revenues. The United States Court of Appeals for the First Circuit, in cases arising out of the insolvency proceedings of Puerto Rico, has held that this provision permits voluntary payments of debt service by the issuer of bonds backed by special revenues, but does not permit the bondholders to compel the issuer to make payments of debt service from special revenues. If this decision is followed by other courts, the holders of the Bonds may be prohibited from taking any action to require the District or the County to make payments on the Bonds, unless the bankruptcy court's permission is obtained. This could result in substantial delays in payments on the Bonds.

In addition, even if the *ad valorem* tax revenues are determined to be "special revenues," the Bankruptcy Code provides that special revenues can be applied to necessary operating expenses of the project or system, before they are applied to other obligations. This rule applies regardless of the provisions of the transaction documents. Thus, a bankruptcy court could permit the District 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 Bonds.

Possession of Tax Revenues; Remedies. If the District goes into bankruptcy and the District or the County has possession of tax revenues (whether collected before or after commencement of the bankruptcy), and if the District or the County, as applicable, does not voluntarily pay such tax revenues to the owners of the Bonds, it is not entirely clear what procedures the owners of the Bonds would have to follow to attempt to obtain possession of such tax revenues, how much time it would take for such procedures to be completed, or whether such procedures would ultimately be successful. A similar risk would exist if the County goes into bankruptcy and has possession of tax revenues (whether collected before or after commencement of the bankruptcy). The United States Court of Appeals for the First Circuit, in another case arising out of the insolvency proceedings of Puerto Rico, has held that the Bankruptcy Code prohibits the bankruptcy court from requiring a governmental debtor to apply revenues in accordance with applicable non-bankruptcy law. In yet another case arising out of the insolvency proceedings of Puerto Rico, the United States Court of Appeals for the First Circuit has held that creditors cannot bring suit in a non-bankruptcy court to compel the governmental debtor to comply with non-bankruptcy law without first obtaining the permission of the bankruptcy court, and that the bankruptcy court has discretion as to whether to provide permission.

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, included 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 Bonds and may invest these funds in the County's Treasury Pool, as described in Appendix F – "THE LOS ANGELES COUNTY TREASURY POOL." Should those investments suffer any losses, there may be delays or reductions in payments on the Bonds.

Legality for Investment in the State

Under provisions of the State Financial Code, the Bonds are legal investments for commercial banks in the State to the extent that the 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 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 2021-22, 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 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").

Due to the impact of COVID-19 on California school district operations during fiscal year 2019-20, California Senate Bill 98 extended the deadline for school districts to file their audited financial statements for fiscal year 2019-20 with the State to March 31, 2021. As a result, at the time of filing the District's Annual Report for fiscal year 2019-20, the District's audited financial statements for fiscal year 2019-20 were not yet available. The District's audited financial statements for fiscal year 2019-20 were subsequently filed to EMMA on March 30, 2021. Additionally, within the past five years, certain of the District's annual report and Listed Events filings required in connection with its prior continuing disclosure undertakings were not properly linked to all CUSIP numbers for the District's outstanding bonds.

Certain Legal Matters

The validity of the 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 Bonds is contained in Appendix D. 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, San Francisco, California ("Underwriters' Counsel").

Each of Bond Counsel, and Disclosure Counsel, and Underwriters' Counsel will receive compensation contingent upon the sale and delivery of the Bonds. From time to time, Bond Counsel and Disclosure Counsel each may represent one or more of the Underwriters in matters unrelated to the District or the Bonds.

FINANCIAL STATEMENTS

The District's Audited Annual Financial Report for fiscal year ended June 30, 2021, including its general purpose financial statements for the fiscal year ended June 30, 2021, is included as Appendix B. The basic financial statements of the District for the fiscal year 2020-21 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 Bonds or in any way contesting or affecting the validity of the 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 Bonds or the use of the proceeds of the Bonds. There are no pending lawsuits that, in the opinion of the District's General Counsel, challenge the validity of the 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"), Kroll Bond Rating Agency, LLC ("KBRA"), and Moody's Investors Service Inc. ("Moody's") have assigned their municipal bond ratings of "AAA," "AAA," and "Aa3," respectively, to the Bonds, which may include information that has not been included in this Official Statement. The District has furnished to each rating agency certain materials and information with respect to itself and the 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 Ratings, Inc., 33 Whitehall Street, New York, New York 10004, telephone: (212) 908-0800, Kroll Bond Rating Agency, LLC, 805 Third Avenue, 29th floor, New York, New York 10022, telephone: (212) 702-0707, 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 Bonds.

Municipal Advisor

The District has retained Public Resources Advisory Group, as Municipal Advisor (the "Municipal Advisor") in connection with the issuance of the 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. The Municipal Advisor will receive compensation from the District contingent upon the sale and delivery of the Bonds.

Underwriting

The Bonds are being purchased by Morgan Stanley & Co. LLC and Citigroup Global Markets Inc., on behalf of a syndicate that also includes the other underwriters set forth on the cover hereof (collectively, the "Underwriters"). The Underwriters have agreed to purchase the Bonds at the purchase price of $534,824,007.65 (which amount is equal to the aggregate principal amount of the Bonds, plus an original issue premium of $35,694,112.30, less an Underwriters' discount of $870,104.65), pursuant to a Bond Purchase Agreement, dated November 8, 2022 (the "Purchase Agreement"), by and among the Underwriters, the County and the District, relating to the Bonds. Pursuant to the Purchase Agreement, the Underwriters will purchase all of the Bonds if any are purchased.

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

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

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

Morgan Stanley & Co. LLC, an underwriter of the Bonds, has entered into a distribution agreement with its affiliate, Morgan Stanley Smith Barney LLC. As part of the distribution 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 Bonds.

Citigroup Global Markets Inc., an underwriter of the Bonds, has entered into a retail distribution agreement with Fidelity Capital Markets, a division of National Financial Services LLC (together with its affiliates, "Fidelity"). Under this distribution agreement, Citigroup Global Markets Inc. may distribute municipal securities to retail investors at the original issue price through Fidelity. As part of this arrangement, Citigroup Global Markets Inc. will compensate Fidelity for its selling efforts.

Jefferies, an underwriter of the Bonds, has entered into a distribution agreement with InspereX LLC ("InspereX") for the retail distribution of municipal securities. Pursuant to such agreement, if Jefferies sells the Bonds to InspereX, it will share a portion of its selling concession compensation with InspereX.

Academy Securities, Inc., an underwriter of the Bonds, has entered into third-party distribution agreements with TD Ameritrade Inc., BNY Mellon Capital Markets LLC, Commonwealth Financial Network, R. Seelaus & Co., Intercoastal Capital Markets, Inc., Janney Montgomery Scott LLC, The GMS Group LLC, Mountainside Securities LLC, World Equity Group, Inc., CINCaP Investment Group, Inc., National Securities Corp, and Essex Securities LLC for the retail distribution of certain municipal securities at the original issue prices. Pursuant to such third-party distribution agreements, Academy Securities, Inc. may share a portion of its underwriting compensation with these firms.

Additional Information

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

Execution and Delivery

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

LOS ANGELES UNIFIED SCHOOL DISTRICT

By: /s/ David D. Hart
Chief Financial Officer

APPENDIX A

DISTRICT FINANCIAL INFORMATION AND REGIONAL ECONOMIC AND DEMOGRAPHIC INFORMATION

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

DISTRICT GENERAL INFORMATION

District Boundaries

The District, encompassing approximately 710 square miles, is located in the western section of the County of Los Angeles (the "County") 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, Downey, Hawthorne, Inglewood, Long Beach, Lynwood, Montebello, Monterey Park, Rancho Palos Verdes, Rolling Hills Estates, Santa Clarita, Santa Monica, South Gate, and Torrance. In addition, the District provides services to several unincorporated areas of the County which include 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

District Board. The District is governed by a seven-member Board of Education (the "District Board") elected by voters within the District. The members of the District Board along with their district and term are set forth below. Members of the District Board elected prior to November 2020 are serving five-year terms. Beginning with the November 2020 election, newly elected or reelected members of the District Board serve four-year terms.

The District is not in a position to predict the outcome of the November 8, 2022 District Board elections for District 2 and District 6. The County Registrar of Voters is expected to certify the official election results on or about December 8, 2022 in accordance with California Elections Code 15372. Preliminary election results are available from the County Registrar of Voter's website at https://www.lavote.net/home/voting-elections/current-elections/election-results. 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.

District	Member	Term Ending
6	Kelly Gonez, President	December 11, 2022
1	Dr. George J. McKenna III	December 16, 2024
2	Mónica García	December 11, 2022
3	Scott Schmerelson	December 16, 2024
4	Nick Melvoin*	December 11, 2022
5	Jackie Goldberg	December 16, 2024
7	Tanya Ortiz Franklin	December 16, 2024

* Reelected at the primary election for another four-year term to commence in December 2022.

Superintendent. 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"). The District Board appointed Alberto M. Carvalho to serve as the Superintendent effective February 2022.

Strategic Plan. On June 21, 2022, the District Board unanimously adopted a strategic plan for the next four years (the "2022-26 Strategic Plan") that focuses on the goal of ensuring that all District students graduate "ready for the world" and prepared to thrive in college, career, and life. The 2022-26 Strategic Plan revolves around five pillars, each consisting of four priorities, that represent critical areas the District will focus on: academic excellence, joy and wellness, engagement and collaboration, operational effectiveness and investing in staff.

Pursuant to the 2022-26 Strategic Plan, the first pillar of "Academic Excellence" prioritizes improving student outcomes through high-quality instruction, delivering enriching experiences to instill lifelong learning, eliminating opportunity gaps, and encouraging multiple paths for college and career readiness. The second pillar of "Joy and Wellness" prioritizes creating welcoming and inclusive learning environments, addressing student well-being through health, nutrition, and wellness services, cultivating strong social-emotional skills, and ensuring outstanding attendance to achieve consistent learning. The third pillar of "Engagement and Collaboration" prioritizes strengthening relationships between students, families, and schools, providing accessible information to the community, leading on local, state, and national levels, and honoring the perspectives of students. The fourth pillar of "Operational Effectiveness" prioritizes developing data-driven decision-making, modernizing facilities and technological infrastructure, sustainably implementing school and District budgets, and making the District a district of choice of families. The fifth pillar of "Investing in Staff" prioritizes recruiting and retaining a diverse workforce, providing rigorous and relevant professional learning, cultivating staff wellness, and maintaining consistent and high performance standards.

The District developed an Implementation Guide for the 2022-26 Strategic Plan with actions and practices for practitioners to implement in schools and classrooms. Pursuant to the 2022-26 Strategic Plan, the District intends to, among other endeavors, ensure processes and systems are in alignment by reviewing budgets, reporting structures, professional development and school-level plans. Furthermore, to ensure the 2022-26 Strategic Plan remains on track, the District aims to regularly engage the community and monitor the progress of measures and targets of success.

Local Districts. In addition to the Superintendent of the District, the District has historically organized its schools into six geographically-based regions (each, a "Local District" and 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 Andre Spicer (interim, Central), José P. Huerta (East), Sandra Gephart (interim, Northeast), Dr. David Baca (Northwest), Michael Romero (South) and Dr. Adaina Brown (West). In order to increase cohesion among District schools and reallocate resources, the District plans to consolidate the six Local Districts into four geographically-based regions led by a regional office.

Biographies. Brief biographical information for Superintendent Alberto M. Carvalho and other senior management of the District is set forth below.

Alberto M. Carvalho, Superintendent. Alberto M. Carvalho has served as Superintendent since February 2022. He was selected by the District Board in a unanimous vote following a comprehensive community engagement process and a nationwide search.

During his 14-year tenure as Superintendent of Miami-Dade County Public Schools, Superintendent Carvalho garnered local, state, national and international recognition. His honors include Florida's 2014 Superintendent of the Year; the 2014 National Superintendent of the Year; the 2016 winner of the Harold W. McGraw Prize in Education; the 2018 National Urban Superintendent of the Year; the 2019 National Association for Bilingual Education (NABE) Superintendent of the Year Award; making him the most accomplished Superintendent in America's history.

Superintendent Carvalho currently serves on the National Assessment Governing Board, appointed by the U.S. Secretary of Education. He also serves as a committee member for the National Academies of Science, Engineering, and Medicine and as an Advisory Committee Member to the Harvard Program on Education Policy and Governance. Superintendent Carvalho is a dedicated member of the National Board of Directors for Common Threads and the Posse Foundation.

Under his tenure, Miami-Dade County Public Schools became one of the nation's highest-performing urban school systems, receiving systemwide accreditation from AdvancEd in 2014. Miami-Dade County Public Schools was named as the 2014 College Board Advanced Placement Equity and Excellence District of the Year and the 2012 winner of the Broad Prize for Urban Education. He is now seeking to elevate the District to the premier spot in American urban education.

Superintendent Carvalho has been awarded many honorary degrees. He has been honored by the President of Portugal with the "Ordem de Mérito Civil," by Mexico with the "Ohtli Award" and was awarded the Official Cross of the Orden de Isabel la Católica (Order of Isabella the Catholic) on behalf of King Felipe VI of Spain.

Devora Navera Reed, General Counsel. Devora Navera Reed serves as the General Counsel for the District. She has been serving the District since 2006 and previously held the position of Chief Education and Legal Services Counsel. Ms. Navera Reed oversaw legal issues and litigation in areas dealing with special education, school law and operations, charter schools, equity and access, and constitutional issues, to name a few. As General Counsel for the District, Ms. Navera Reed is responsible for administering and overseeing the legal activities of the District's legal staff and outside legal firms. In addition, she advises the District Board, Superintendent, and senior leadership related to matters of major importance to the District. Prior to joining the District in 2006, Ms. Navera Reed served as an attorney for the Children's Law Center of Los Angeles for nearly a decade, where she represented and advocated for children in dependency court and the foster care system. In addition to her legal responsibilities, she is also a co-lead for the We Are One L.A. Unified campaign. Ms. Navera Reed also serves as a board member of the California Minority Counsel Program promoting diversity, equity and inclusion in the legal field. Ms. Navera Reed earned a Bachelor of Arts from the University of Southern California in 1992 and a Juris Doctorate degree from the University of San Francisco School of Law in 1996.

David D. Hart, Chief Financial Officer. Mr. Hart began serving as the District's Chief Financial Officer in January 2020. Before coming to the District, Mr. Hart served as the Chief Financial Officer of the Cherry Creek School District for approximately three years – the last 18 months of which he also served as Cherry Creek's Chief Operating Officer. Before joining Cherry Creek, Mr. Hart was a Director at The PFM Group for nearly two years and a Senior Vice President in Public Finance at D.A. Davidson & Co. for approximately a year. Prior to that time, Mr. Hart served as the Chief Financial Officer for Denver Public Schools for four years and as Chief Financial Officer of the Douglas County School District for three years. He has also served as Manager of Revenue for the City and County of Denver, as Treasurer for the City and County of Denver and as Budget Director for the Douglas County School District. Mr. Hart attended the University of Colorado at Denver, where he received his Master of Public Administration: Policy Analysis and Evaluation.

V. Luis Buendia, Deputy Chief Financial Officer. As of April 8, 2020, Mr. Buendia was appointed the Deputy Chief Financial Officer of the District. Prior to such appointment, Mr. Buendia served briefly as the Interim Chief Financial Officer and as the District's Controller since 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.

Joy Mayor, Controller. As of April 29, 2021, Ms. Mayor was appointed the Controller of the District. Prior to such promotion, Ms. Mayor served as a Deputy Controller of the District since June 2016. She joined the District in January 2012 as Director of Accounting and served in that capacity until May 2016. Prior to joining the District, Ms. Mayor was a Senior Audit Manager at KPMG LLP. Ms. Mayor graduated from Bicol University with a Bachelor of Science degree in Accountancy and is a licensed Certified Public Accountant. She is a member of the Government Finance Officers Association.

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

School Facilities

The District is the second largest public school district in the United States and is the largest public school district in the State. As of June 30, 2021, the District operated 1,218 schools and centers, which consisted of 438 elementary schools, 78 middle/junior high schools, 89 senior high schools, 54 options schools, 245 magnet centers, 65 magnet schools, 28 multi-level schools, 13 special education schools, 1 community adult school, 7 regional occupational centers, 2 skills centers, 87 early education centers, 4 infant centers, 18 primary school centers, and 89 California State preschools. As of June 30, 2021, 51 of the District's schools were operated as locally-funded affiliated charter schools ("Affiliated Charter Schools"). In addition, as of June 30, 2021, the District oversaw 229 fiscally independent charter schools ("Fiscally Independent Charter Schools") within the District's boundaries. See "STATE FUNDING OF SCHOOL DISTRICTS – Charter School Funding."

Enrollment and Average Daily Attendance

As of September 23, 2022, the transitional kindergarten ("TK") through 12th grade enrollment in the District for fiscal year 2022-23 was approximately 422,276 students, including those attending magnet, opportunity, and continuation schools and centers, Affiliated Charter Schools, and schools for the handicapped. Such enrollment represents an increase of 9,806 students or approximately 2.38% from the budgeted TK-12 enrollment in the District at the time of preparation of the District's original adopted budget for fiscal year 2022-23 (the "Fiscal Year 2022-23 Budget"). Such enrollment does not include students attending Fiscally Independent Charter Schools that was budgeted at 113,474 students at the time of preparation of the Fiscal Year 2022-23 Budget. Based on enrollment projections at the time of preparation of the Fiscal Year 2022-23 Budget, the District was projecting enrollment to decline by over

4% each year through fiscal year 2024-25. Comparisons of enrollment from September 17, 2021 to September 23, 2022, show that the enrollment decline between such dates was roughly 2%, which is an improvement from the District's projections for fiscal year 2022-23 at the time of preparation of the Fiscal Year 2022-23 Budget. While the District expects enrollment to continue to decline, the District's projected enrollment declines are subject to change as conditions change and more data becomes available throughout the fiscal year. The District attributes declining enrollment to, among other things, the reduced birth rate in the County, increased costs of living and housing costs in southern California, increased numbers of school-age students in the District's boundaries attending Fiscally Independent Charter Schools rather than District schools, and impacts of the Coronavirus Disease 2019 ("COVID-19") pandemic. To improve student enrollment, the District's Strategic Enrollment & Program Planning Office is mobilizing data and resources to coordinate District-wide enrollment efforts, expanding outreach to communities and families, and improving the articulation of school pathways and programs.

As a result of declining enrollment in District schools, the District's annual average daily attendance ("ADA") declined in recent years and is expected to further decline in fiscal years 2022-23, 2023-24 and 2024-25 based on projections contained in the Fiscal Year 2022-23 Budget. To ensure funding stability regardless of instructional model in light of the COVID-19 pandemic, the State budget for fiscal year 2020-21 included a hold-harmless provision for the purpose of calculating apportionments in fiscal year 2020-21, and it provided that average daily attendance for fiscal year 2020-21 is based on fiscal year 2019-20 (specifically, the period July 1, 2019 through February 29, 2020). Although the State budget for fiscal year 2021-22 did not include an extension of the ADA hold-harmless provision in fiscal year 2021-22, school districts with enrollment declines in fiscal year 2021-22, like the District, retained the ability to receive their apportionment based on the higher of their fiscal year 2019-20 or fiscal year 2020-21 ADA as provided under the Local Control Funding Formula (the "LCFF"). See "STATE FUNDING OF SCHOOL DISTRICTS – Local Control Funding Formula." In light of pervasive declining enrollment throughout nearly all school districts in the State, the 2022-23 State Budget (as defined below) revised the LCFF calculation beginning with fiscal year 2022-23 to consider the greater of a school district's current fiscal year, prior fiscal year, or the average of three prior fiscal years' ADA to allow school districts more time to adjust to enrollment-related LCFF funding declines. See "STATE FUNDING OF SCHOOL DISTRICTS – State Budget Act – *2022-23 State Budget*." For purposes of fiscal year 2021-22, if a school district can demonstrate it provided independent study offerings to students in fiscal year 2021-22, such school district may consider the greater of its fiscal year 2021-22 ADA or its fiscal year 2021-22 enrollment adjusted for pre-COVID-19 absence rates. Such adjustment is applicable to fiscal year 2021-22 for purposes of calculating a school district's prior year ADA or the average of three prior years' ADA in fiscal year 2022-23 and future fiscal years in accordance with the amendments made in connection with the 2022-23 State Budget. See "STATE FUNDING OF SCHOOL DISTRICTS – State Budget Act – *2022-23 State Budget*." The following Table A-1 sets forth the District's actual and funded ADA for fiscal years 2011-12 through 2022-23. As reflected in Table A-1, the District's funded ADA for fiscal years 2011-12 through 2021-22 was based largely on actual prior year ADA for the second period of attendance ("P-2") for traditional TK-12 students, but current year P-2 ADA for students attending Affiliated Charter Schools. For fiscal year 2022-23, the District's funded ADA was based largely on the average of three prior fiscal years' P-2 ADA for traditional TK-12 students, as adjusted in accordance with the COVID-19 ADA relief measures, but current year P-2 ADA for students attending Affiliated Charter Schools.

TABLE A-1

LOS ANGELES UNIFIED SCHOOL DISTRICT
Average Daily Attendance
Fiscal Years 2011-12 through 2022-23(1)

	Actual ADA			Funded ADA
Fiscal Year	**TK-12**(2)	**Affiliated Charter Schools**(3)	**Total**	**Total**
2011-12	534,093	13,499	547,592	557,760(7)
2012-13	505,513	28,832	534,345	546,631(7)
2013-14	488,362	39,633	527,995	532,838(7)
2014-15	476,285	39,944	516,229	524,591(7)
2015-16	463,735	39,632	503,367	512,625(7)
2016-17	450,713	41,143	491,856	500,648(7)
2017-18	438,359	40,232	478,591	483,710(7)
2018-19	415,100	38,910	454,010	470,127(7)
2019-20(4)	413,968	40,940	454,905	454,792(7)
2020-21(5)	N/A	N/A	N/A	455,356(7)
2021-22	345,660	35,044	380,704	449,912(7)
2022-23(6)	338,289	34,153	372,442	431,891(8)

(1) Data may differ from other District disclosures because adjustments were made in certain fiscal years due to additional attendance for non-public students, corrected attendance reports for District students, and/or audit findings.

(2) Includes non-public school special education students and District students attending schools operated by the County. Beginning in fiscal year 2012-13, includes TK students.

(3) 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.

(4) Condensed reporting period. Does not reflect actual student attendance after February 29, 2020 due to the COVID-19 pandemic.

(5) Attendance reporting not required for fiscal year 2020-21. The fiscal year 2020-21 State budget included a hold harmless provision for the purpose of calculating apportionments under LCFF in fiscal year 2020-21, providing that ADA for fiscal year 2020-21 was based on ADA for fiscal year 2019-20 (specifically, the period July 1, 2019 through February 29, 2020), as discussed in more detail above.

(6) Projected ADA, as reflected in Fiscal Year 2022-23 Budget. Funded ADA, as reflected in Revisions to Fiscal Year 2022-23 Budget. See "DISTRICT FINANCIAL INFORMATION – District Budget – *Revisions to Fiscal Year 2022-23 Budget*."

(7) Funded ADA is based largely on actual prior year P-2 ADA for TK-12 and current year P-2 ADA for Affiliated Charter Schools. For more information, see the discussion of ADA funding in the paragraph immediately preceding this table.

(8) Funded ADA is based largely on the average of three prior fiscal years' P-2 ADA for TK-12, as adjusted in accordance with the COVID-19 ADA relief measures, and current year P-2 ADA for Affiliated Charter Schools. For more information, see the discussion of ADA funding in the paragraph immediately preceding this table and "DISTRICT FINANCIAL INFORMATION – District Budget – *Revisions to Fiscal Year 2022-23 Budget*."

Sources: Los Angeles Unified School District Audited Annual Financial Report for fiscal year 2020-21 (actual ADA for fiscal years 2011-12 through 2020-21); unaudited actuals reports for fiscal years 2011-12 through 2021-22 (funded ADA for fiscal years 2011-12 through 2021-22; actual ADA for fiscal year 2021-22); Fiscal Year 2022-23 Budget (actual ADA for fiscal year 2022-23); Revisions to Fiscal Year 2022-23 Budget (funded ADA for fiscal year 2022-23).

Cybersecurity

The District collects, processes, and distributes protected and personal information on students, staff, parents, and contractors. The size of the District's information assets creates a target-rich environment for a variety of threats such as cyber criminals and natural disasters. In 2019, the District experienced a cyberattack that resulted in unauthorized access to a limited number of student records; the software vulnerability was resolved the same day it was discovered. In March 2020, in response to the COVID-19 pandemic, the District rapidly implemented new remote learning and remote working capabilities, which increased the District's cyberattack surface area. The District implemented additional layers of technical and administrative controls to mitigate remote access risks. In August 2022, a Data Center power outage triggered by a failed electrical transformer owned by Los Angeles Department of Water and Power, resulted in temporary unavailability of some information systems. The District mitigated the risk by increasing electrical line and backup power capacity and successfully performing functional load tests.

On September 3, 2022, the District became aware of a cyberattack on its information technology assets and proactively suspended network traffic in and out of its data centers. In response to such incident, the District swiftly activated its incident response protocol and commenced an investigation with support from Kroll, LLC, an outside cybersecurity firm, to assist with containment, remediation, and forensic analysis. The Microsoft Detection and Response Team is also assisting with the forensic investigation. The District also notified local and federal law enforcement agencies and continues to support their ongoing investigations. The District has identified, contained, and remediated the ransomware, and it has not found evidence of additional malware related to the cyberattack or any other persistent malicious activity on its network or systems.

The District's investigation of the incident determined that on or about July 31, 2022, the threat actor first accessed the District's environment remotely using a contractor account to gain unauthorized access to systems. The District did not pay a ransom to the threat actor in connection with the incident. The threat actor posted approximately 500 gigabytes of data it stole from the District to its "leak site" on the dark web. To date, it appears that most of the files exfiltrated by the threat actor were located on the District's facilities servers and systems, but analysis is ongoing to identify additional files or data sources that were impacted. The District is currently reviewing the files that were potentially accessed and/or exfiltrated by the threat actor from the District's environment and plans to provide notices (and other services) as required.

As a result of the incident, the District initially restricted access to its servers and systems, including access to user accounts, email, and software applications. Many operations and processes that were automated or facilitated by technology had to be completed manually, and some still remain manual at this time. Nonetheless, school sites remained operational. Most servers and systems were gradually restored within days as they were determined to be safe, with the District's most critical systems being restored first. The District restored certain impacted systems from backups and continues to work to rebuild others. While the District maintains cyber liability insurance, the costs relating to the incident may exceed applicable coverage limits, though the District cannot currently predict by how much. Further, the District is planning to implement various security enhancements in light of the incident, but the District cannot currently predict the total cost of such enhancements. The District has received at least one recently filed claim relating to the incident on behalf of an identified parent of two District students and purportedly on behalf of an unidentified class of others impacted; given that such claim was recently filed, the District cannot predict the outcome or any potential financial impact that may result from such claim. Further, the District cannot predict whether any other claims or litigation will be filed or estimate any potential financial impact that may result. The District is exploring potential State and federal assistance for the costs associated with the incident.

The District has implemented several protective measures with respect to access requirements to its systems to reduce the likelihood of a similar incident from occurring in the future. The District has also established an Independent Information Technology Task Force comprised of cybersecurity experts from private and public sectors to develop a set of recommendations to further strengthen the District's cybersecurity.

To minimize the impact and frequency of cybersecurity incidents, the District previously hired a Director of Information Technology Security in 2016 to develop and implement a risk-based information security management program ("ISMP"). The ISMP is designed to protect the confidentiality, integrity, and availability of information assets managed by the District's Information Technology Division and comply with all applicable information protection regulations including the Family Educational Rights and Privacy Act, Children's Internet Protection Act, and the Health Care Insurance Portability and Accountability Act. The ISMP includes a number of technical, administrative, and physical security safeguards that take into account the District's unique threats and vulnerabilities. Safeguards include, but are not limited to, policies that require employees, students, and parents to acknowledge their obligation to protect District information, cybersecurity training for employees, next generation network security technologies, access control systems, and cyber liability insurance. The District and its third-party IT vendors are required to carry cyber liability insurance to offset the cost of business disruptions caused by cybersecurity incidents.

No assurance can be made in any networked environment that a future cyberattack or natural disaster would not compromise the confidentiality, integrity or availability of District information assets. The only viable mitigation of cybersecurity risks is a layered defense strategy. The District implements layered defenses as a principal driver of its information security program and continuously monitors the effectiveness of the program to proactively modify it when the cyberattack landscape changes.

STATE FUNDING OF SCHOOL DISTRICTS

General

School districts in the State receive operating revenues from federal, State and local sources, including appropriations from the State's general fund and local property taxes derived from a school district's share of the 1% *ad valorem* property tax. School districts also currently receive revenues from the State attributable to temporary tax increases implemented by Proposition 30 (defined herein). In connection with voter approval of Proposition 55 (defined herein), certain of such temporary tax increases were extended by twelve years through 2030. See "CALIFORNIA CONSTITUTIONAL AND STATUTORY PROVISIONS RELATING TO *AD VALOREM* PROPERTY TAXES, DISTRICT REVENUES AND APPROPRIATIONS – Proposition 30" herein. School districts, such as the District, may be eligible for other special categorical funding, including funding for certain State and federal programs. The amount of categorical funding appropriated to a school district may vary significantly from other school districts and yearly. Currently, the District budgets to receive approximately 72.29% 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. For more information regarding the District's funding for fiscal year 2022-23, see "– State Budget Act – *2022-23 State Budget*," "– Local Control Funding Formula" and "DISTRICT FINANCIAL INFORMATION – District Budget" herein.

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

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

The actual appropriations and the timing of such appropriations are subject to, among other things, the estimated amount of State general fund revenues during the fiscal year and subsequent changes in State law. At times since the implementation of Proposition 98, the State has also sought to preserve general fund cash while avoiding increases in the base guaranteed amount through various mechanisms: by treating any excess appropriations as advances against subsequent years' Proposition 98 minimum funding levels rather than current year increases; by deferring apportionments of Proposition 98 funds from one fiscal year to the next, as the State did in fiscal years 2019-20 and 2020-21; by suspending Proposition 98, as the State did in fiscal year 2004-05, fiscal year 2010-11, fiscal year 2011-12 and fiscal year 2012-13; and by proposing to amend the State Constitution's definition of the guaranteed amount and settle-up requirement under certain circumstances. For more information on the Proposition 98 minimum guarantee under the 2022-23 State Budget, see "– State Budget Act – *2022-23 State Budget*" herein.

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

The State Budget Process

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

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

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

State Budget Act

2022-23 State Budget. The Governor signed the fiscal year 2022-23 State budget on June 27, 2022, which was amended through a series of legislative bills, many of which were signed by the Governor on June 30, 2022 (as amended, the "2022-23 State Budget"). The 2022-23 State Budget reflects a strong State economy, which has strengthened the State's fiscal health and provided record levels of available general fund and Proposition 98 resources that the 2022-23 State Budget allocates. However, the 2022-23 State Budget notes economic warning signs indicating that challenging times may arrive in the coming years. Accordingly, with approximately $37.2 billion in budgetary reserves, the 2022-23 State Budget continues building reserves by eliminating budgetary debt, reducing retirement liabilities, and focusing on one-time spending over ongoing investments to maintain structurally balanced budgets over the long term. Specifically, the 2022-23 State Budget allocates 92% of the discretionary surplus to one-time investments that can be adjusted in future years, if needed. Citing the record high inflationary conditions nationwide, the 2022-23 State Budget includes an added inflation adjustment beginning in fiscal year 2023-24 reflecting that State services are likely to cost more than currently estimated.

The 2022-23 State Budget projects total resources available in fiscal year 2021-22 of approximately $265.4 billion, including revenues and transfers of approximately $227.1 billion and a prior year balance of approximately $38.3 billion, and total expenditures in fiscal year 2021-22 of approximately $242.9 billion. The 2022-23 State Budget projects total resources available for fiscal year 2022-23 of approximately $242.2 billion, inclusive of revenues and transfers of approximately $219.7 billion and a prior year balance of approximately $22.5 billion. The 2022-23 State Budget projects total expenditures in fiscal year 2022-23 of approximately $234.4 billion, inclusive of non-Proposition 98 expenditures of approximately $152.1 billion and Proposition 98 expenditures of approximately $82.3 billion. The 2022-23 State Budget includes $37.2 billion in reserves in fiscal year 2022-23 and allocates reserves as follows: approximately $23.3 billion in the State Rainy Day Fund for fiscal emergencies, approximately $9.5 billion in the Proposition 98 Rainy Day Fund (also known as the "Public School System Stabilization Account"), approximately $900 million in the Safety Net Reserve, and approximately $3.5 billion to the State's Special Fund for Economic Uncertainties. In addition, the 2022-23 State Budget allocates approximately $4.3 billion of the State general fund's projected fund balance in fiscal year 2022-23 to the State's Reserve for Liquidation of Encumbrances. The State Rainy Day Fund is at its constitutional maximum of 10% of State general fund revenues, requiring approximately $465 million to be dedicated for infrastructure investments in fiscal year 2022-23. Over the multi-year forecast period, the 2022-23 State Budget reflects approximately $8 billion in supplemental deposits split evenly between the State Rainy Day Fund and the Safety Net Reserve. Such deposits are above what is constitutionally required. The 2022-23 State Budget estimates that the State will be below its appropriations limit (referred to as the "Gann Limit") for fiscal year 2022-23 as a result of statutory changes in connection with the 2022-23 State Budget.

The 2022-23 State Budget includes total funding of $128.6 billion for all K-12 education programs, including $78.6 billion from the State's general fund and $50 billion from other funds. Per-pupil funding is at the highest levels for school districts in California's history, totaling $16,993 per pupil in Proposition 98 funding and $22,893 per pupil when accounting for all funding sources.

Certain budgeted programs and adjustments for K-12 education set forth in the 2022-23 State Budget include the following:

- <u>Proposition 98 Minimum Guarantee</u>. The 2022-23 State Budget projects increased Proposition 98 funding, resulting in funding estimates of $96.1 billion in fiscal year 2020-21, $110.2 billion in fiscal year 2021-22, and $110.4 billion in fiscal year 2022-23, due to a significant increase in projected revenues for fiscal years 2020-21 through 2022-23. Such funding represents a historically high three-year increase in the minimum guarantee of roughly $35.8 billion over the level funded in the fiscal year 2021-22 State budget.

- <u>Proposition 98 Rainy Day Fund (Public School System Stabilization Account)</u>. The 2022-23 State Budget includes payments required to be made to the Proposition 98 Rainy Day Fund in fiscal years 2020-21 through 2022-23 for a total account balance of $9.5 billion at the end of fiscal year 2022-23. The balance of approximately $7.1 billion in fiscal year 2021-22 triggers a cap on school district reserves beginning in fiscal year 2022-23. For more information on limitations on school district reserves, see "– Limitations on School District Reserves" below and "CALIFORNIA CONSTITUTIONAL AND STATUTORY PROVISIONS RELATING TO AD VALOREM PROPERTY TAXES, DISTRICT REVENUES AND APPROPRIATIONS – Proposition 2 – *SB 751*."

- <u>Local Control Funding Formula</u>. The 2022-23 State Budget includes a LCFF cost-of-living adjustment of 6.56%, which is the largest cost-of-living adjustment in the history of LCFF. The 2022-23 State Budget also includes approximately $4.3 billion in ongoing Proposition 98 general fund resources to provide a 6.28% discretionary increase in Base Grant funding to address ongoing fiscal pressures, staffing shortages, and other operational needs of local educational agencies. This discretionary increase, together with the cost-of-living adjustment, results in an increase of nearly 13% in Base Grant amounts from fiscal year 2021-22. Lastly, the 2022-23 State Budget includes approximately $101.2 million in ongoing Proposition 98 general fund resources to augment LCFF funding for county offices of education, which face similar cost pressures to school districts and charter schools.

- <u>Declining Enrollment Protections</u>. To support the fiscal stability of all local educational agencies, including those with a declining student population, the 2022-23 State Budget allows school districts to use the greater of current year or prior year average daily attendance or an average of the three prior years' average daily attendance to calculate LCFF funding. Further, to minimize reductions in LCFF funding that would otherwise occur due to increased absences in fiscal year 2021-22, the 2022-23 State Budget enables all classroom-based local educational agencies that can demonstrate they provided independent study offerings to students in fiscal year 2021-22 to be funded at the greater of their average daily attendance or their enrollment adjusted for pre-COVID-19 absence rates in fiscal year 2021-22. The 2022-23 State Budget reflects approximately $2.8 billion in ongoing Proposition 98 general fund resources and approximately $413 million in one-time Proposition 98 general fund resources to implement such policies.

- Block Grants. The 2022-23 State Budget establishes the Learning Recovery Emergency Fund and appropriates approximately $7.9 billion in one-time Proposition 98 general fund resources to support the Learning Recovery Emergency Block Grant, which will support local educational agencies in establishing learning recovery initiatives through the 2027-28 school year. Such funds may be expended on instructional learning time, closing learning gaps, pupil supports, instruction, and academic services. The 2022-23 State Budget also provides approximately $3.6 billion in one-time Proposition 98 general fund resources for grants to be spent on arts and music programs, standards-aligned professional development, instructional materials, development of diverse book collections, operational costs, and expenses related to the COVID-19 pandemic through the 2025-26 school year.

- Expanded Learning Opportunities Program. The 2022-23 State Budget increases investments in the Expanded Learning Opportunities Program by approximately $3 billion in ongoing Proposition 98 general fund resources, bringing the ongoing program total to $4 billion. Beginning in fiscal year 2023-24, local educational agencies will be required to offer expanded learning opportunities to all low-income students, English language learners, and youth in foster care in the State. The 2022-23 State Budget assumes that full fiscal implementation of the program will take place by fiscal year 2025-26.

- Transitional Kindergarten. The 2022-23 State Budget provides approximately $614 million in ongoing Proposition 98 general fund resources beginning in fiscal year 2022-23 to support the first year of expanded eligibility for TK to all children turning five-years-old between September 2 and February 2. The 2022-23 State Budget also provides approximately $383 million in Proposition 98 general fund resources to provide one additional certificated or classified staff person in each TK classroom. Lastly, the 2022-23 State Budget increases the pipeline of qualified TK teachers by allowing the Commission on Teaching Credentialing to issue a one-year emergency specialist teaching permit in early childhood education to certain eligible individuals.

- State Preschool Program. The 2022-23 State Budget includes the following investments in pre-kindergarten education: approximately $312.7 million in Proposition 98 general fund resources and $172.3 million in general fund resources to increase State Preschool Program adjustment factors for students with disabilities, dual language learners, and childhood mental health; approximately $300 million in one-time Proposition 98 general fund resources for planning and implementation of grants for all local educational agencies; approximately $250 million in one-time Proposition 98 general fund resources to support a program that funds infrastructure to support general education and special education students in inclusive classrooms; approximately $166.2 million in Proposition 98 general fund resources to support the full-year costs of State preschool rate increases that began January 1, 2022; and approximately $10.5 million in one-time Proposition 98 general fund resources and $10.8 million in one-time non-Proposition 98 general fund resources to waive the family share of cost for children participating in the State Preschool Program. The 2022-23 State Budget includes a hold harmless provision that allows State Preschool providers to receive reimbursement for maximum authorized care for the 2022-23 school year.

- Educator Workforce. The fiscal year 2021-22 State budget included $2.9 billion to accelerate the preparation and support the training and retention of well-prepared educators. To further support such effort, the 2022-23 State Budget includes an additional $48.1 million in general fund resources. In addition, the 2022-23 State Budget provides approximately $250 million in one-time Proposition 98 general fund resources to expand residency slots for teachers and school counselors. Lastly, the 2022-23 State Budget invests approximately $85 million in one-time Proposition 98 general fund resources to create pre-kindergarten through 12th grade educator resources and professional learning to implement STEM educator support initiatives; and approximately $35 million in one-time Proposition 98 general fund resources over three years to continue the work of the Educator Workforce Investment Grant program in the areas of computer science, special education, and support for English learners.

- School Transportation Programs. The 2022-23 State Budget includes approximately $637 million in ongoing Proposition 98 general fund resources to support school transportation programs by reimbursing local education agencies for up to 60% of their transportation costs in the prior year. In addition, the 2022-23 State Budget includes approximately $1.5 billion in one-time Proposition 98 general fund resources, available over five years, to support greening school bus fleets through programs that will be operated by the California Air Resources Board and the California Energy Commission.

- Nutrition. The 2022-23 State Budget includes the following investments related to school meals: approximately $596 million in Proposition 98 general fund resources to fund universal access to subsidized school meals and an additional $611.8 million in ongoing Proposition 98 general fund resources to augment the State meal reimbursement rate sufficient to maintain meal reimbursement rates beginning in fiscal year 2022-23; approximately $600 million in one-time Proposition 98 general fund resources, available over three years, for school kitchen infrastructure and equipment upgrades and training for food service employees; approximately $100 million in one-time Proposition 98 general fund resources to support local educational agency procurement practices for plant-based or restricted diet meals; and approximately $30 million in one-time general fund resources to establish additional farm to school demonstration projects with priority towards high-need schools.

- Special Education. The 2022-23 State Budget includes approximately $500 million in ongoing Proposition 98 general fund resources for the special education funding formula, paired with certain policy changes to further the State's commitment to improving special education instruction and services. In addition, the 2022-23 State Budget provides approximately $2 million in Proposition 98 general fund resources to support families of pupils with disabilities and approximately $2 million in Proposition 98 general fund resources to create resources for inclusionary practices for families and communities.

- K-12 School Facilities. On November 8, 2016, voters of the State approved Proposition 51, which authorized $7 billion in State general obligation bonds to support K-12 school facilities construction. The 2022-23 State Budget allocates the remaining Proposition 51 bond funds in the amount of approximately $1.4 billion to support school construction projects and provides an additional investment of $1.3 billion in one-time general fund resources to support new construction and modernization projects through the School Facility Program.

The complete 2022-23 State Budget is available from the California Department of Finance website at **www.dof.ca.gov** or **www.ebudget.ca.gov**. The District can take no responsibility for the continued accuracy of these internet addresses or for the accuracy, completeness or timeliness of information posted therein, and such information is not incorporated herein by such reference.

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 2022-23 and in future fiscal years. Certain factors, like an economic recession, could result in State budget shortfalls in any fiscal year and could have a material adverse financial impact on the District. As the Bonds are payable from *ad valorem* property taxes, the 2022-23 State Budget is not expected to have a material impact on the payment of the Bonds.

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

State Funding of Schools Without a State Budget

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

Local Control Funding Formula

General. Funding for school districts, charter schools and county offices of education in connection with the LCFF includes State apportionments for general operating costs ("State Aid") and funding for categorical programs. During fiscal year 2021-22, approximately 62.40% of the District's General Fund revenues were pursuant to the LCFF. During fiscal year 2022-23, the District budgets that approximately 56.37% of the District's General Fund revenues will consist of funds determined under the LCFF. For fiscal years 2020-21 through 2022-23, LCFF revenues comprise a lower percentage of the District's total General Fund revenues as a result of increases in one-time federal funding for COVID-19 relief. The following Table A-2 sets forth the percentage of the District's General Fund revenues that are derived from revenues under the LCFF, federal revenues, other State revenues and other local revenues for fiscal years 2018-19 through 2022-23.

TABLE A-2

LOS ANGELES UNIFIED SCHOOL DISTRICT
General Fund Revenue Sources
Percentage of Total District General Fund Revenues[(1)]
Fiscal Years 2018-19 through 2022-23

Revenue Source	Fiscal Year 2018-19	Fiscal Year 2019-20	Fiscal Year 2020-21	Fiscal Year 2021-22[(2)]	Fiscal Year 2022-23[(3)]
LCFF	73.17%	74.47%	64.68%	62.40%	56.37%
Federal Revenues	8.23	8.31	19.15	19.18	26.15
Other State Revenues	15.78	14.98	13.99	18.08	15.91
Other Local Revenues	2.82	2.24	2.18	0.34	1.56

(1) Sum of percentages may not equal 100% due to rounding.
(2) Unaudited.
(3) Budgeted. For more information regarding State funding during fiscal year 2022-23, see " – State Budget Act – *2022-23 State Budget*" and "DISTRICT FINANCIAL INFORMATION – District Budget."

Sources: Audited Annual Financial Report for fiscal years 2018-19 through 2020-21; Fiscal Year 2021-22 Unaudited Actuals (defined herein); Fiscal Year 2022-23 Budget.

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. As discussed above, the 2022-23 State Budget revised the LCFF calculation beginning with fiscal year 2022-23 to consider the greater of a school district's current fiscal year, prior fiscal year, or the average of three prior fiscal years' ADA. See "DISTRICT GENERAL INFORMATION – Enrollment and Average Daily Attendance" and "STATE FUNDING OF SCHOOL DISTRICTS – State Budget Act – *2022-23 State Budget*." 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 65% 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 2022-23, the LCFF provided to school districts and charter schools: (a) a Base Grant for each LEA equivalent to \$10,082 per ADA for kindergarten through grade 3; (b) a Base Grant for each LEA equivalent to \$9,270 per ADA for grades 4 through 6; (c) a Base Grant for each LEA equivalent to \$9,544 per ADA for grades 7 and 8; (d) a Base Grant for each LEA equivalent to \$11,349 per ADA for grades 9 through 12. The Base Grant amount for fiscal year 2022-23 includes a cost-of-living adjustment of 6.56% as well as an approximately 6.28% discretionary increase in Base Grant funding in accordance with the 2022-23 State Budget, resulting in a nearly 13% increase in Base Grant funding from fiscal year 2021-22. The amount of actual funding allocated to the Base Grant, Supplemental Grants and Concentration Grants is subject to the discretion of the State.

Since the full implementation of the LCFF in fiscal year 2018-19, there is no longer a gap between a school district's prior year funding and the target amount of funding under the LCFF for the current year. Further, there is no longer a difference between the District's target entitlement under the LCFF – the amount available once the LCFF is fully funded – and the District's transition entitlement. In fiscal year 2018-19, the District reached its target entitlement for the District and the Affiliated Charter Schools, such that there is no transition entitlement for the District and the Affiliated Charter Schools. Accordingly, the District's historically significant increases in LCFF funding from year to year are not reflective of the District's current and expected LCFF funding since the LCFF is fully funded.

The difference between the amount a school district or charter school would have received under the old funding system and the estimated amount it would receive for LCFF funding at full implementation, based on certain criteria is referred to as the "Economic Recovery Target." Only school districts and charter schools that were at, or below, the 90th percentile of per-pupil funding rates of school districts under the pre-fiscal year 2013-14 funding system, as determined at the certification of the State's second principal apportionment in fiscal year 2013-14, are eligible for Economic Recovery Target payments. Based on this criteria, the District is not entitled to receive Economic Recovery Target funding. However, certain of the District's Affiliated Charter Schools are entitled to the Economic Recovery Target funding and received approximately \$990,310 (unaudited), collectively, in fiscal year 2021-22, and budget to receive approximately the same amount, collectively, in fiscal year 2022-23.

The District has the largest ADA in the State. See "DISTRICT GENERAL INFORMATION – Enrollment and 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 2022-23 Budget budgets that approximately 85.78% of students attending non-charter schools of the District will be classified as Unduplicated Pupils under the LCFF during fiscal year 2022-23. 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 District's Base Grant per ADA for fiscal years 2014-15 through 2022-23 under the LCFF.

TABLE A-3

LOS ANGELES UNIFIED SCHOOL DISTRICT
Adjusted Base Grant Per Average Daily Attendance
Fiscal Years 2014-15 through 2022-23

Fiscal Year	Grades K-3	Grades 4-6	Grades 7-8	Grades 9-12
2014-15	$7,740	$7,116	$7,328	$8,712
2015-16	7,820	7,189	7,403	8,801
2016-17	7,820	7,189	7,403	8,801
2017-18	7,941	7,301	7,518	8,939
2018-19[(1)]	8,235	7,571	7,796	9,269
2019-20	8,503	7,818	8,050	9,572
2020-21	8,503	7,818	8,050	9,572
2021-22	8,935	8,215	8,458	10,057
2022-23	10,082	9,270	9,544	11,349

(1) LCFF was fully funded in fiscal year 2018-19.

Sources: Los Angeles Unified School District Comprehensive Annual Financial Report for fiscal years 2014-15 and 2015-16; the District for fiscal years 2016-17 through 2020-21; Fiscal Year 2021-22 Unaudited Actuals; Fiscal Year 2022-23 Budget for fiscal year 2022-23.

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 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.

The State's priorities for each LCAP include, among other things, compliance with requirements 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.

Infectious Disease Outbreak

In general, the outbreak of a highly contagious disease or epidemic disease could harm the District's financial results or result in a temporary shutdown of the District's facilities. As discussed above, school districts in California are funded based on the LCFF, which allocates a base grant per unit of average daily attendance with additional supplemental grants based on certain factors. Thus, a temporary shutdown of a school or an entire school district would reduce the average daily attendance and could impact the funding a school district receives unless the State legislature or California Department of Education takes action to exclude such days from the calculations for funding purposes. Further, any impact on the State's tax and other revenue receipts as a result of a highly contagious or epidemic disease may in turn impact other educational funding that the District receives from the State. " – State Budget Act – *Future Budgets and Budgetary Actions*." In addition, the District may incur increased operational costs to conduct distance learning or to clean, sanitize and maintain its facilities either before or after an outbreak of an infectious disease.

COVID-19 Background. The outbreak of the respiratory disease caused by COVID-19 has been declared a pandemic by the World Health Organization, a national emergency by former President Trump and a state of emergency by the Governor of the State.

Federal Response. On March 13, 2020, former President Trump declared a nationwide emergency pursuant to Section 501(b) of the Stafford Act, regarding the COVID-19 pandemic. On March 22, 2020, former President Trump approved the Major Disaster Declaration for the State of California, authorizing federal emergency aid related to COVID-19 administered through the Federal Emergency Management Agency ("FEMA"). As a result, local educational agencies were permitted to submit a request for FEMA public assistance through the California Office of Emergency Services for reimbursement of certain costs incurred as a result of COVID-19. The District submitted its initial request for FEMA public assistance for eligible cleaning, sanitation, and personal protective equipment expenses incurred through June 30, 2020, and is working with FEMA to finalize and formally submit additional requests relating to its COVID-19 testing, vaccination and meal programs, but it cannot predict the timing or amount of federal emergency aid it will receive pursuant to such request.

On March 27, 2020, the U.S. House of Representatives approved and former President Trump signed into law the Coronavirus Aid, Relief and Economic Security Act (the "CARES Act"). The CARES Act provided $30 billion to education, specifically $3 billion allocated to state governors to be used at their discretion to address the emergency, $13.5 billion for K-12 education, and $14.25 billion for postsecondary institutions. School districts are able to use their share of the $13.5 billion K-12 education allocation under the CARES Act, which was based on the proportion of Title I funding received for the then most recent fiscal year, for purposes authorized by federal law and other specified uses. The District was allocated approximately $858.1 million in funding under the CARES Act, which included approximately $289.7 million from the Elementary and Secondary School Emergency Relief Fund (the "ESSER") provided directly from the federal government to the District, and amounts allocated by the State of California through its Learning Loss Mitigation Fund, including approximately $488.6 million from the Coronavirus Relief Fund (the "CRF") provided from CARES Act funding, approximately $31.9 million from the Governor's Emergency Education Relief Fund (the "GEER") provided from CARES Act funding, and approximately $47.9 million from the State's general fund. As of August 31, 2022, the District has received all $858.1 million allocated under the CARES Act. The District has also received approximately $22.0 million in supplemental reimbursements at a rate of 75 cents per meal for meals served to students between March 2020 and August 2020; a portion of such funding was provided by federal sources under the CARES Act and the other portion of such funding was provided by State funds. In addition, the District has been awarded approximately $6.0 million in grant funds by the State under the California Community Schools Partnership Program for expenditures relating to the District's community schools. As of August 31, 2022, the District has received approximately $5.4 million of such grant funding.

On December 27, 2020, HR 133 was enacted, which includes a $900 billion COVID-19 relief package. HR 133 provided approximately $81.9 billion to education, specifically about $4.1 billion allocated to state governors to be used at their discretion to address the emergency, of which approximately $2.75 billion was reserved for private K-12 education, about $54.3 billion for K-12 education, around $22.7 billion for postsecondary institutions, and about $819 million for outlying areas and Bureau of Indian Affairs schools. School districts are able to use their share of the approximately $54.3 billion K-12 education allocation under HR 133, which was based on the proportion of Title I funding received for the then most recent fiscal year, for purposes authorized by federal law and other specified uses. Pursuant to HR 133, $154 million was allocated to the State in the form of funding for public schools from the GEER (the "GEER II"), and the State ultimately incorporated such funds into the expanded learning opportunity grant funding discussed below. In addition, pursuant to HR 133, the District is eligible to receive approximately $1.15 billion in funding from the ESSER (the "ESSER II") for eligible expenditures obligated through September 30, 2023. The District has received all $1.15 billion in ESSER II funding as of August 31, 2022. In addition, under HR 133, the District received a one-time child development stipend of approximately $4 million for costs associated with childcare programs.

On March 11, 2021, the American Rescue Plan Act of 2021 ("HR 1319"), a $1.9 trillion COVID-19 relief package, was enacted. HR 1319 provided approximately $165.15 billion to education, specifically about $122.8 billion to public K-12 education, around $2.75 billion to private K-12 education and about $39.6 billion to postsecondary institutions. Of the approximately $122.8 billion in K-12 funding, about $7.2 billion was set aside for purchasing technology to support digital learning and around $800 million is set aside for supporting homeless students. HR 1319 allocated K-12 funding to states and school districts according to the proportion of Title I funding received for the then most recent fiscal year. It further stipulated that of the K-12 funds received by states, 90% must be distributed to local educational agencies, 5% must be used to address learning loss, 1% must be used for summer enrichment programs and 1% must be used for comprehensive afterschool programs, and of the K-12 funds received directly by school districts, 20% must be used to address learning loss. Pursuant to HR 1319, the District expects to receive approximately $2.6 billion in additional funding from the ESSER (the "ESSER III") for expenditures obligated through September 30, 2024. As of August 31, 2022, the District has received approximately $257.8 million in ESSER III funding. Pursuant to HR 1319, the District also expects to receive at least approximately $242.7 million and may receive up to $313.3 million from the amounts dedicated to technology and digital learning (the "Emergency Connectivity Fund"). As of August 31, 2022, the District has not received any of the expected funding from the Emergency Connectivity Fund.

Pursuant to a grant from the U.S. Department of Health and Human Services, LACOE received funding for COVID testing to allocate to school districts within its jurisdiction. Accordingly, the District was allocated approximately $82.2 million in funding for COVID testing expenses during fiscal year 2021-22, all of which the District received during fiscal year 2021-22.

State Legislation Relating to School Districts. On March 17, 2020, the Governor signed Senate Bill 117 ("SB 117") as urgency legislation effective immediately. For purposes of school district funding for fiscal year 2019-20, SB 117 limited the average daily attendance reported to the California Department of Education to include the full school months from July 1, 2019, to February 29, 2020. This condensed ADA period applied to school districts that complied with Executive Order N-26-20. SB 117 further states the intent of the State Legislature is that a school district's employees and contractors be paid during the period of a school closure due to COVID-19. SB 117 also waived instructional time penalties that would otherwise accrue, as long as the school district superintendent, county superintendent or charter school administrator certify that the closure due to COVID-19 caused the school district to fall below applicable instructional time requirements. SB 117 also included $100 million in additional funding to school districts for certain costs incurred as a result of COVID-19. The District received approximately $7.9 million, which includes amounts for Affiliated Charter Schools, from such additional State funding in fiscal year 2019-20.

The Governor signed Assembly Bill 86 ("AB 86") into law on March 5, 2021. AB 86 provided approximately $6.6 billion to local educational agencies to encourage a return to in-person education, with a focus on students who are younger (TK-2) and most disproportionately impacted by the COVID-19 pandemic. Funding was distributed as follows: $725 per student, an additional $1,000 per homeless student, and funds remaining after these apportionments are distributed proportionally based on LCFF. $2 billion was set aside as incentive for school districts that return to in-person instruction by March 31, 2021 for at least TK-2 and ramping up to include higher grades if county transmission rates allow. Beginning April 1, 2021, school districts' apportioned incentive funding was reduced by 1% for every academic calendar day they do not offer in-person education until May 15, 2021, after which school districts forfeit their entire apportionment of incentive funding. AB 86 allocated approximately $4.6 billion to local educational agencies to support expanded learning opportunities that target learning loss resulting from the COVID-19 pandemic. School districts must implement learning recovery programs that include, at minimum, supplemental instruction, resources for social and emotional well-being and meal programs. AB 86 also established reporting requirements to monitor COVID-19 cases and in-person education status and apportioned $25 million to the State's "Safe Schools For All Team" to provide technical assistance, community engagement, oversight and accountability to school districts. AB 86 further set aside 10% of the State's vaccine supply for childcare and TK-12 education staff. Pursuant to AB 86, the District expects to receive approximately $572.5 million in additional funding following its reopening of schools for in-person hybrid instruction throughout April 2021. As of August 31, 2022, the District has received approximately $441.5 million in such funding.

The Governor signed Assembly Bill 130 ("AB 130") into law on July 9, 2021. Pursuant to AB 130, the District received approximately $243.2 million in funding in fiscal year 2021-22 and is eligible for over $450.0 million per year thereafter for the operation of afterschool and summer school enrichment programs through the Expanded Learning Opportunities Program. In addition, pursuant to AB 130, the District received an additional $45.7 million in funding through the Special Education Learning Recovery

Support program and approximately $10.1 million for dispute prevention and dispute resolution. While the Expanded Learning Opportunities Program is not a traditional one-time COVID relief funding source like the other COVID relief funding discussed above, it is part of the State's on-going response to educational challenges exacerbated by the COVID-19 pandemic.

As of August 31, 2022, in aggregate from federal and State funding sources described above from fiscal year 2019-20 through fiscal year 2023-24, the District expects to receive approximately $5.6 billion in COVID-19 relief funding, which does not include the funding that the District received through the Expanded Learning Opportunities Program in fiscal year 2021-22 or the funds that the District expects to receive through the Expanded Learning Opportunities Program on an ongoing basis. As of August 31, 2022, the District has received approximately $2.9 billion in such COVID-19 relief funding, which does not include any funds received through the Expanded Learning Opportunities Program. For more information on the District's COVID-19 relief funding expectations for fiscal year 2022-23, see "DISTRICT FINANCIAL INFORMATION – District Budget - *Revisions to Fiscal Year 2022-23 Budget*."

District Response. As a result of the outbreak of COVID-19, on March 10, 2020, the District Board declared that emergency conditions exist throughout the District and authorized the Superintendent to take any and all actions necessary to ensure the health and safety of students and staff. Under such authority, the Superintendent closed all schools within the District for in-person instruction effective March 16, 2020. The District implemented a distance learning model for the remainder of the 2019-20 school year.

The District utilized the distance learning model for much of the 2020-21 school year, which commenced on August 18, 2020, given the ongoing COVID-19 pandemic. However, the District began reopening schools for in-person hybrid instruction the week of April 12, 2021, starting with 61 elementary schools and 11 early education centers. The remaining elementary schools and early education centers reopened for in-person hybrid instruction the week of April 19, 2021, and middle schools and high schools reopened for in-person hybrid instruction the week of April 26, 2021. Distance learning also remained available to students throughout the 2020-21 school year. To ensure that the reopening was as safe as possible for students, employees, and the communities, the District published its COVID-19 Containment, Response and Control Plan in February 2021, which details plans, practices and health and safety protocols for reopening schools and is available on the District's website. The District also offered vaccinations to all District employees, administered vaccinations at multiple school sites, and operated a mass vaccination center at Hollywood Park to serve its employees and charter school employees. Baseline COVID-19 testing and subsequent periodic testing on a weekly basis was made available to all students and staff located at school facilities.

The District fully opened its school facilities to full-time in-person instruction at the outset of the 2021-22 school year. The District operates an independent study program for students who do not want to return to in-person instruction. The District requires all employees to be vaccinated against COVID-19. During the 2021-22 school year, the District conducted weekly testing of all staff and students for COVID-19. During the 2022-23 school year, the District no longer requires weekly testing, but provides rapid antigen tests for symptomatic and exposed students and staff. The District continues to implement strict health and safety measures to ensure the safety of its staff and students.

Governor Newsom has announced plans to add the COVID-19 vaccine to the list of vaccinations required for students to attend both public and private schools in-person when the vaccine receives full approval from the Food and Drug Administration for middle and high school grades. Since the Food and Drug Administration has not fully approved the COVID-19 vaccine for individuals of all ages within the 7-12 grade span, such Statewide vaccination requirement will not be implemented during the 2022-23 school year; thus, any Statewide student vaccination requirement, if implemented, would not take effect before July 1, 2023. The District has delayed its previously-announced student COVID-19 vaccination requirement until at least July 1, 2023, in alignment with the State's anticipated implementation timeline.

In response to the COVID-19 pandemic, the District incurred costs totaling approximately $3.3 billion from March 2020 through June 30, 2022. Such costs were largely attributed to the following priorities:

- **Instructional Connectivity** – The District has purchased over 217,000 new devices and acquired over 107,800 internet hotspots for students to support distance learning. The District has also developed online learning platforms and provided training to teachers to support online instruction.

- **Learning Loss Mitigation** – The District implemented various program to address the effects of learning loss exacerbated by the COVID-19 pandemic, including additional educational and enrichment opportunities during the summer, as well as tutoring and after school programs.

- **Health and Safety** - ***Meals*** – The District established 63 "Grab & Go" food centers across the District to provide breakfast and lunch meals to children and adults in need. In May 2020, the District increased the number of meals provided each weekday from two to three for each child and adult who visited the food centers. The District distributed more than 100 million meals to children and adults from March 2020 until April 2021, when the Grab & Go program ended in conjunction with the District's return to in-person instruction at the District's school sites.

- **Health and Safety – *Cleaning and Protective Equipment*** - The District has incurred significant additional costs associated with the sanitation of schools and other District facilities, the supply of personal protective equipment, upgrades to its ventilation systems to provide additional protection against COVID-19 and other airborne viruses, and to facilitate social distancing and provide additional protective measures against the transmission of COVID-19.

- **Health and Safety – *COVID-19 Testing* –** The District has implemented a robust COVID-19 testing program, providing access to state-of-the-art COVID-19 tests to its students and staff at locations throughout the District

- **Business Continuity and Connectivity** – Since the District's administration and support staff are largely working remotely, the District has provided staff with the tools and training necessary to ensure that operations continue.

As a result of the COVID-19 pandemic, the District currently projects approximately $1.8 billion in COVID-19 related costs associated with operating schools during the 2022-23 school year. More specifically, based on the Fiscal Year 2022-23 Budget, the District projects (1) approximately $383 million in costs associated with strategies for continuous and safe in-person learning; (2) approximately $1.1 billion in costs associated with addressing lost instructional time; and (3) approximately $265 million in costs for addressing additional district priorities. For more information on the District's COVID-19 relief funding expectations for fiscal year 2022-23, see "DISTRICT FINANCIAL INFORMATION – District Budget - *Revisions to Fiscal Year 2022-23 Budget*."

While the State and federal one-time COVID-19 relief funding discussed above has provided and will continue to provide some immediate relief to school districts, including the District, the long-term impacts of the COVID-19 outbreak on the District's operations and finances are not fully known as the situation continues to evolve. The District cannot predict whether similar legislation would be enacted in the event the outbreak of COVID-19 continues or a similar or other outbreak of a highly contagious disease or epidemic disease were to occur in the future.

Monkeypox. In August 2022, Governor Newsom declared a state of emergency with respect to the orthopoxvirus (known more commonly as "monkeypox") outbreak. Unlike COVID-19, monkeypox is not spread through the air and requires a prolonged period of contact. At this time, the risk of monkeypox in children and adolescents in the United States is considered to be low by public health officials. Consistent with this and as of the date hereof, the District has not experienced any material impact to its operations or finances as a result of the monkeypox outbreak.

Charter School Funding

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

Pursuant to the LCFF, Fiscally Independent Charter Schools and Affiliated Charter Schools will receive a Base Grant per ADA and are eligible to receive Supplemental Grants and Concentration Grants. See " – Local Control Funding Formula" herein. As of June 30, 2021, the District operated 51 Affiliated Charter Schools and oversaw 229 Fiscally Independent Charter Schools within the District boundaries. The District budgets the funded ADA for fiscal year 2022-23 of the Affiliated Charter Schools and the Fiscally Independent Charter Schools to be approximately 34,228 and 102,301 students, respectively. An increase in the number of Fiscally Independent Charter Schools within the boundaries of a school district or an increase in the number of students transferring to a Fiscally Independent Charter School or an Affiliated Charter School from a traditional school within a school district may cause a net reduction in the District's ADA.

Limitations on School District Reserves

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

The State-imposed minimum recommended reserve for the District is accounted for in the Reserve for Economic Uncertainties. Payments allocated to the Public School System Stabilization Account by the State in fiscal year 2021-22 triggered certain limitations on school district reserves under the Education Code commencing with fiscal year 2022-23. In connection with the District Board's approval of the Fiscal Year 2022-23 Budget, the District Board committed approximately $1.55 billion in funds comprising portions of the General Fund ending balance to fund the District's ongoing OPEB requirements and fund student equity needs for (1) low income, English language learner, and foster youth students, (2) the primary promise program for elementary school students to build a foundation in literacy, math, and critical thinking skills, and (3) intervention services for high-needs schools. In connection with subsequent revisions to the Fiscal Year 2022-23 Budget, the District Board committed approximately $801 million in additional funds comprising a portion of the General Fund ending balance for inflation protection. With such funds committed, the District's assigned and unassigned ending General Fund balance for fiscal year 2022-23 does not exceed 10% of the total General Fund expenditures and other financing uses. Thus, the District complies with the limitations on reserves. The District does not expect the limitations on reserves in the Education Code to adversely affect its ability to pay the principal of and interest on the Bonds described in the forepart of this Official Statement, which are payable from voter-approved *ad valorem* property taxes.

DISTRICT FINANCIAL INFORMATION

District Financial Policies and Related Practices

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

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

Operating Reserves. The District uses the Operating Reserves to manage its budget for each fiscal year. A portion of the District's authorized appropriations are set aside in the Operating Reserves. The District generally appropriates amounts from the General Fund based on the amount estimated in its budget. However, the District may appropriate funds from unspent balances within the Operating Reserves, if necessary. Accordingly, the District uses the Operating Reserves to ensure that appropriations reflect the District's actual General Fund expenditures. The current Operating Reserves include nonspendable reserves, restricted reserves, committed reserves, assigned reserves, and unassigned reserves, the latter of which includes the District's reserve for economic uncertainties (the "Reserve for Economic Uncertainties"). Pursuant to the California Code of Regulations, school districts with an ADA between 30,001 and 400,000 students, such as the District, must maintain a reserve for economic uncertainties of 2% 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. 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 2022-23 Budget, the District's Operating Reserves are expected to satisfy both the 5% Minimum Reserve Threshold and the 2% statutory reserve requirement for fiscal years 2022-23, 2023-24 and 2024-25. Unlike the 5% Minimum Reserve Threshold, the 2% statutory reserve requirement is based on the unrestricted and unassigned ending fund balance only and does not take into account the restricted, committed, or assigned ending fund balances. See "– District Budget – *Fiscal Year 2022-23 Budget*" herein.

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

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

The District Board approved the creation of an irrevocable trust for its OPEB liability (the "OPEB Trust Fund") in May 2014. The Budget and Finance Policy directs the District, subject to approval by the District Board, to make annual contributions to the OPEB Trust Fund when the balance in the General Fund exceeds the 5% Minimum Reserve Threshold to the extent possible. In the event that the unrestricted portion of the General Fund is above 5% of the unrestricted revenues (after the annual OPEB contribution has been determined), the Budget and Finance Policy directs the District to make an additional contribution from the assigned OPEB reserve to the OPEB Trust Fund. See "– Other Postemployment Benefits" herein. As of June 30, 2022, the net position of the OPEB Trust Fund was approximately $469.9 million (unaudited).

The Health and Welfare Benefits Fund is used to pay all health and welfare payments for active employees and retirees. The District determines funding of the Health and Welfare Benefits Fund based on the applicable health benefits agreement for each of the applicable years. See "– Employees and Labor Relations – *Negotiations Regarding Labor Contracts*" herein. As of June 30, 2022, the net position of the Health and Welfare Benefits Fund was approximately $111.3 million (unaudited).

Budgeting Practices. Beginning in fiscal year 2022-23, the District is implementing new budgeting practices. Such practices include zero based budgeting that involves developing a new budget each fiscal year, as opposed to starting with the previous fiscal year's budget and making adjustments, in order to ensure that all expenses are justified for the new fiscal year. The District plans to phase-in zero based budgeting by department over time. As part of such new budgeting practices, the District is planning to prepare quarterly budget to actuals analysis to inform internal budget adjustments or reallocations that may occur throughout the fiscal year.

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 June 21, 2022. The District is in compliance with the Debt Management Policy. The Debt Management Policy establishes a ceiling of 2.0% for the ratio of COPs gross annual 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, 2022, the maximum fiscal year COPs debt service was approximately 0.15% of the District General Fund expenditures during fiscal year 2021-22. As of October 1, 2022, the District has outstanding COPs in the aggregate principal amount of approximately $97.87 million. (See " – District Debt – *Certificates of Participation*" for more information.) The Debt Management Policy limits unhedged variable rate debt to $100 million and requires reporting of the debt ratios and benchmarks. The District currently has no variable interest rate exposure.

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

The District's operating funds and all of the debt service funds maintained for repayment of general obligation bonds are deposited in the County Treasury Pool in accordance with State law and managed pursuant to the County's Investment Policy, a copy of which can be found at http://ttc.lacounty.gov/. Such website is not incorporated herein by reference and the District, its counsel (including Bond Counsel and Disclosure Counsel), the Municipal Advisor, the Underwriters and their counsel do not make any representation as to the accuracy of the information provided therein. See APPENDIX F – "THE LOS ANGELES COUNTY TREASURY POOL." 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.

Significant Accounting Policies, System of Accounts and Audited Financial Statements

The CDE imposes by law uniform financial reporting and budgeting requirements for K-12 school districts. Financial transactions are accounted for in accordance with the California School Accounting Manual. The District uses fund accounting and maintains governmental funds, proprietary funds and fiduciary funds. The General Fund is the chief operating fund of the District. For a description of the other major funds of the District, see the description thereof contained in APPENDIX B – "AUDITED ANNUAL FINANCIAL REPORT OF THE DISTRICT FOR FISCAL YEAR ENDED JUNE 30, 2021." 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 2020-21. The District's audited financial statements for the fiscal year ended June 30, 2021 are included as Appendix B to this Official Statement. The complete audited financial statements of the District, including the notes thereto, are an integral part of this Official Statement.

Typically, 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. However, pursuant to Senate Bill 98 (Chapter 24, enacted on June 29, 2020, as an urgency bill), the deadline for the District to file its audited financial statements for fiscal year 2019-20 was March 31, 2021. Accordingly, the District filed its audited financial statements for fiscal year 2019-20 with the State Controller's Office, the CDE, and the County Superintendent of Schools on March 29, 2021. Pursuant to Assembly Bill 130 (Chapter 44, enacted on July 9, 2021), the deadline for the District to file its audited financial statements for fiscal year 2020-21 was January 31, 2022. Accordingly, the District filed its audited financial statements for fiscal year 2020-21 with the State Controller's Office, the CDE, and the County Superintendent of Schools on January 20, 2022. During the last five years, the District timely filed its audited financial reports with LACOE pursuant to the Education Code by the respective deadlines therefor.

The audited financial statements for fiscal year 2020-21 include certain audit findings and questioned costs relating to the current expense formula specified in Education Code Section 41372. Under Education Code Section 41372, a unified school district, like the District, is required to spend a minimum of 55% of its General Fund resources on classroom salaries and benefits. In fiscal year 2020-21, the District spent approximately 52.7% of its General Fund resources on classroom salaries and benefits, which is approximately 2.3% or $162.6 million below such minimum threshold set forth in the Education Code. Such discrepancy is the result of the COVID-19 pandemic that caused the District to spend significant funds on providing remote learning to students. On September 13, 2022, the District Board approved the submission of an application for an exemption from the requirements of Education Code Section 41372 for fiscal year 2020-21, which was approved by the authorized designee of the County Superintendent on October 21, 2022.

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

Unaudited Actuals

General. Under current law, the District's governing board is required to approve and file an annual statement of all receipts and expenditures of the District for the preceding fiscal year (commonly referred to as the unaudited actuals) with the county superintendent of schools on or before September 15 of each year. The California Department of Education imposes a uniform accounting format for school districts. The District is under the jurisdiction of the County of Los Angeles Superintendent of Schools.

Fiscal Year 2021-22 Unaudited Actuals. The Fiscal Year 2021-22 Unaudited Actuals (the "Fiscal Year 2021-22 Unaudited Actuals") were approved by the District Board on September 13, 2022. The Fiscal Year 2021-22 Unaudited Actuals reflect a General Fund beginning balance of approximately $2.86 billion, total unaudited revenues of $9.67 billion, total unaudited expenditures of $9.22 billion, other financing sources and uses of $94.17 million, and an ending balance of $3.40 billion. The Fiscal Year 2021-22 Unaudited Actuals indicate that the General Fund ending balance of approximately $3.40 billion consists of approximately $199.86 million for the mandatory Reserve for Economic Uncertainties, $48.02 million of non-spendable revolving cash, stores, and prepaid expenditures, $544.52 million of restricted ending balances, no committed ending balances, $1.60 billion of assigned ending balances and $1.01 billion of undesignated and unassigned ending balances. In fiscal year 2021-22, the District was able to meet its financial commitments and its required ending balances, as set forth in the Budget and Finance Policy. See "– District Financial Policies and Related Practices" for more information on the Budget and Finance Policy. The fiscal year 2021-22 ending balance resulted in a decrease of $421.5 million in the District's General Fund undesignated and unassigned ending balance from the District's estimated actuals for fiscal year 2021-22.

Notably, the Fiscal Year 2021-22 Unaudited Actuals reflect approximately $1.86 billion in revenue from federal sources (largely for COVID-19 relief), which differs from the $4.45 billion in revenue from federal sources (largely for COVID-19 relief) originally budgeted in fiscal year 2021-22, because the Fiscal Year 2021-22 Unaudited Actuals reflect the actual federal revenue earned based on actual expenditures incurred. Portions of one-time federal revenues for COVID-19 relief that the District has budgeted that are not spent in a given fiscal year, are carried over to the following fiscal year for further program implementation.

District Budget

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

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

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

The governing board of the school district, together with the county superintendent of schools, must review and respond to the recommendations of the county superintendent of schools before October 8 at a regular meeting of the governing board of the school district. The county superintendent of schools will examine and approve or disapprove of the revised budget by November 8 of such year. If the county superintendent of schools disapproves a revised budget, the county superintendent of schools will call for the formation of a budget review committee. By December 31 of each year, every school district must have an adopted budget, or the county superintendent of schools may impose a budget and will report such school district to the State Legislature and the Department of Finance. In prior years, LACOE has granted a conditional approval to certain of the District's budgets pending, among other things, approval of the District's LCAP, 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. LACOE approved the Fiscal Year 2022-23 Budget. See "*– Fiscal Year 2022-23 Budget*" below. LACOE has not reviewed and commented on the District's revisions to the Fiscal Year 2022-23 Budget. See "*– Revisions to Fiscal Year 2022-23 Budget*" below.

Subsequent to approval, the county superintendent of schools will monitor each school district under its jurisdiction throughout the fiscal year pursuant to its adopted budget to determine on an ongoing basis if the school district can meet its current or subsequent year financial obligations. If the county superintendent of schools determines that a school district cannot meet its current or the subsequent year's obligations, the county superintendent of schools will notify the school district's governing board, the Superintendent of Public Instruction and the president of the State board (or the president's designee) of the determination and take at least one of the following actions, and all actions that are necessary to ensure that the school district meets its financial obligations: (a) develop and impose, after also consulting with the Superintendent of Public Instruction and the school district's governing board, revisions to the budget that will enable the school district to meet its financial obligations in the current fiscal year, (b) stay or rescind any action inconsistent with the ability of the school district to meet its obligations for the current or subsequent fiscal year, (c) assist in developing, in consultation with the school district's governing board, a financial plan that will enable the school district to meet its future obligations, (d) assist in developing, in consultation with the school district's governing board, a budget for the subsequent fiscal year and (e) as necessary, appoint a fiscal advisor to perform the aforementioned duties. The county superintendent of schools will also make a report to the Superintendent of Public Instruction and the president of the State board or the president's designee about the financial condition of the school district and the remedial actions proposed by the county superintendent of schools. However, the county superintendent of schools may not abrogate any provision of a collective bargaining agreement that was entered into prior to the date upon which the county superintendent of schools assumed authority.

Fiscal Stabilization Plan. The District's budgetary practices in recent fiscal years have resulted in budgets that project a structural deficit, resulting from budgeted expenditures continually exceeding budgeted revenues. (For the District's actual results, see "*– District General Fund Budgets and Audited and Actuals*" and Table A-4 below.) As a result, in January 2019, LACOE assigned a team of fiscal experts to coordinate with the District to implement actions to stabilize and improve the financial condition of the District. At LACOE's request, the District Board adopted a fiscal stabilization plan on June 18, 2019 (the "2019 Fiscal Stabilization Plan"). The 2019 Fiscal Stabilization Plan included a teacher-to-administrator ratio waiver, savings resulting from the 50-State Medicare Advantage Plan, and certain health benefit savings for an aggregate of $332 million in savings in fiscal years 2019-20 through

2021-22 based on the District's first interim report for fiscal year 2020-21. The District implemented the 2019 Fiscal Stabilization Plan during fiscal year 2019-20 and included the reductions included in the 2019 Fiscal Stabilization Plan in its original adopted budget, revised budget, and first interim report for fiscal year 2020-21. Specifically, the first interim report for fiscal year 2020-21 included a one-time interfund transfer of $227 million in fiscal year 2020-21 from the Health and Welfare Fund to the General Fund, which represents healthcare savings from the 50-State Medicare Advantage Plan of $125 million and health benefit savings of $102 million.

In fiscal year 2021-22, the District submitted its first interim report for fiscal year 2021-22 with a qualified certification, which LACOE concurred with. As a result, in its letter regarding the first interim report for fiscal year 2021-22, LACOE advised the District Board to adopt (i) a fiscal stabilization plan and (ii) adjustments to the fiscal year 2021-22 budget and multiyear projections, both of which were required to be incorporated into and submitted with the second interim report for fiscal year 2021-22. In light of changes in certain of the assumptions for the District's multiyear projections, the District was able to certify positive on the second interim report for fiscal year 2021-22 without the incorporation of the fiscal stabilization plan or related budgetary adjustments, and LACOE concurred with such positive certification.

LACOE and the District continue to work together to implement actions necessary to stabilize and improve the financial condition of the District as and when needed, but since the implementation of the 2019 Fiscal Stabilization Plan, LACOE has not required nor has the District implemented a new fiscal stabilization plan in light of the District's positive certification on its recent interim report. In the event that the District's financial condition were to change in future fiscal years, LACOE may require the District to implement a new fiscal stabilization plan to stabilize and improve the financial condition of the District.

Fiscal Year 2022-23 Budget. The Fiscal Year 2022-23 Budget was adopted by the District Board on June 21, 2022. The Fiscal Year 2022-23 Budget was developed with the assumptions contained in the Governor's May revision to the proposed fiscal year 2022-23 State Budget, which were revised in the 2022-23 State Budget. For more information, see "*– Revisions to Fiscal Year 2022-23 Budget*" below.

The Fiscal Year 2022-23 Budget projects a General Fund beginning balance of approximately $3.57 billion, total estimated revenues of $10.79 billion, total estimated expenditures of $11.66 billion, other financing sources and uses of $4.65 million, and an ending balance of $2.70 billion. The Fiscal Year 2022-23 Budget projects that its General Fund ending balance of $2.70 billion will consist of approximately $234.10 million for the mandatory Reserve for Economic Uncertainties, $46.63 million of non-spendable revolving cash, stores, and prepaid expenditures, $208.63 million of restricted ending balances, $1.49 billion of committed ending balances, $351.58 million of assigned ending balances and $370.43 million of undesignated and unassigned ending balances.

The Fiscal Year 2022-23 Budget includes certain assumptions and policies, including:

- a COLA of 6.56% for the LCFF;
- 6.56% statutory COLA for selected categorical programs outside of LCFF and Special Education;
- LCFF-funded ADA of 390,206.48 for non-charter schools, which is based on the computed average of 3 prior year's ADA, and 34,227.73 for Affiliated Charter Schools, which is based on the current year ADA;

- estimated unduplicated pupil count and three-year rolling average unduplicated pupil percentage of 322,228 and 85.78%, respectively, for non-charter schools (including County Program students) and 17,980 and 47.19%, respectively, for Affiliated Charter Schools;
- an LCFF allocation of $874.4 million from the Education Protection Account (the "Education Protection Account") established by Proposition 30 (defined herein) to be spent for instruction;
- LCFF supplemental and concentration expenditure of $1.44 billion;
- State Special Education funding reflects increased base rate of $820 per ADA;
- lottery unrestricted rate per ADA is estimated at $163 per ADA and restricted rate per ADA is estimated at $65 per ADA;
- the District is estimated to receive approximately $1.8 billion in fiscal year 2022-23 from HR 1319 - Elementary and Secondary School Emergency Relief (ESSER) III, which is a one-time COVID-19 resource, and approximately $579.9 million in fiscal year 2022-23 from Expanded Learning Opportunities Program;
- the District anticipates using monies received from HR 133 - Elementary and Secondary School Emergency Relief (ESSER) II, HR 1319 - Elementary and Secondary School Emergency Relief (ESSER) III, and the Expanded Learning Opportunities Program for schools, operations, and continuity of learning in the amount of $2.9 billion in fiscal year 2022-23;
- a net enrollment decline of 17,852 from fiscal year 2021-22 for non-charter and Affiliated Charter Schools;
- an enrollment increase of approximately 1,116 students for Fiscally Independent Charter Schools;
- funding for employee health and medical benefits at the per participant rate set forth in the Health and Welfare Agreement (defined herein);
- a contribution to the OPEB Trust Fund of $211 million for fiscal year 2022-23;
- an increase of 2.18% in the contribution rate for CalSTRS (defined herein) for fiscal year 2022-23 from 16.92% to 19.10%;
- an increase of 2.46% of the CalPERS (defined herein) employer contribution rate for fiscal year 2022-23 from 22.91% to 25.37%;
- a California consumer price index of 6.11% on other operating expenditures, except utilities which is projected to increase by 1.44%;
- ongoing and major maintenance resources of $281.3 million, which constitutes approximately 3% of the District's budgeted General Fund expenditures and other financing uses, excluding CALSTRS on-behalf payments made by the State and COVID-19 expenditures from certain one-time funds related to ESSER II and ESSER III;
- support to the cafeteria program and child development from the General Fund of $9.3 million and $19.4 million, respectively, in fiscal year 2022-23;

- a contribution from all funds of the District of $126.4 million to the Workers' Compensation Fund and inclusion of the total Workers' Compensation actuarially-determined funded liability of $443.9 million;
- inclusion of general obligation bonds and COPs (defined herein) proceeds, debt service and other interfund transfer expenditures and revenues in fiscal year 2022-23;
- a Reserve for Economic Uncertainties totaling $234.1 million, which reflects the statutory 2% budgeted expenditure requirement and other financing uses;
- inclusion of beginning balances in the General Fund and other funds for fiscal year 2022-23, reflecting the updated estimated ending balance as of June 30, 2022, which includes expenditures related to COVID-19;
- estimated ending balances for the General Fund and other funds for fiscal year 2022-23, which reflect the difference between the estimated revenue and expenditure levels for fiscal year 2022-23;
- commitment of portions of the General Fund ending balances to meet the 10% limitation on reserves (calculated based on assigned and unassigned balances) (see "STATE FUNDING OF SCHOOL DISTRICTS – Limitations on School District Reserves" for more information);
- authority to transfer amounts, as necessary, to implement technical adjustments related to the Fiscal Year 2022-23 Budget;
- authority to implement new revenues for fiscal year 2022-23, if any, and increase budgeted appropriations accordingly;
- no set aside for potential disproportionality finding for fiscal year 2022-23; and
- a transfer from the Community Redevelopment Agency Fund to repay the General Fund in the amount of $30 million initially paid for the ongoing and major maintenance resources.

LACOE's Response to Fiscal Year 2022-23 Budget. In its September 2022 letter to the District, LACOE approved the Fiscal Year 2022-23 Budget. LACOE noted that the District budgeted an operating deficit in its unrestricted General Fund in fiscal year 2022-23 and projected ongoing unrestricted General Fund operating deficits in fiscal years 2023-24 and 2024-25 primarily due to declining enrollment and ADA, resulting in reduced LCFF revenues, minimum wage increases, increased health and welfare contributions, and increased contributions to restricted programs. As LACOE explained more specifically, the Fiscal Year 2022-23 Budget reflected a loss in funded ADA of approximately 60,885 from fiscal year 2022-23 to fiscal year 2024-25, which will impact the LCFF revenue received by the District (even with the change in the LCFF to allow for a calculation based on the average of three prior years' ADA). LACOE also pointed out that as of the preparation of the Fiscal Year 2022-23 Budget, labor negotiations for fiscal year 2022-23 were unsettled, so any potential financial impacts as a result of such labor negotiations were not reflected in the Fiscal Year 2022-23 Budget. For more information on revisions to the Fiscal Year 2022-23 Budget relating to labor negotiations, see "– *Revisions to Fiscal Year 2022-23 Budget*." For more information on recent bargaining unit agreements, see "– Employees and Labor Relations."

Revisions to Fiscal Year 2022-23 Budget. On August 30, 2022, the District Board approved certain revisions to the Fiscal Year 2022-23 Budget based on revised assumptions contained in the 2022-

23 State Budget and other significant changes affecting the District's finances since the adoption of the Fiscal Year 2022-23 Budget. Revisions to the Fiscal Year 2022-23 Budget relating to the revised assumptions contained in the 2022-23 State Budget include:

- a 6.28% discretionary increase in LCFF funding in addition to the COLA of 6.56% that was included in the Fiscal Year 2022-23 Budget, resulting in an increase in LCFF funding of $328 million in fiscal year 2022-23 from the Fiscal Year 2022-23 Budget. Such increase does not include the additional LCFF funding of $2,813 per TK ADA to fund lower classroom ratios in TK beginning in fiscal year 2022-23, which results in an increase in LCFF funding of $18 million in fiscal year 2022-23 from the Fiscal Year 2022-23 Budget. (TK ADA is also subject to the annual COLA.) (For more information on LCFF funding for fiscal year 2022-23, see "STATE FUNDING OF SCHOOL DISTRICTS – State Budget Act – *2022-23 State Budget*" and "– Local Control Funding Formula" above.)

- COVID-19 ADA relief measures that allow for an adjustment to fiscal year 2021-22 attendance for purposes of calculating funded ADA in future fiscal years, resulting in an increase in LCFF funding of $101 million in fiscal year 2022-23 from the Fiscal Year 2022-23 Budget. (For more information on ADA and revisions to the LCFF included in the 2022-23 State Budget, see "DISTRICT GENERAL INFORMATION – Enrollment and Average Daily Attendance" and "STATE FUNDING OF SCHOOL DISTRICTS – State Budget Act – *2022-23 State Budget*" above.)

- additional LCFF supplemental grant and concentration grant funding, resulting in an increase in LCFF funding of $113 million in fiscal year 2022-23 from the Fiscal Year 2022-23 Budget.

- one-time funding for the learning recovery block grant and the arts, music and instruction materials discretionary block grant, resulting in an increase in LCFF funding of $667 million and $256 million, respectively, in fiscal year 2022-23 from the Fiscal Year 2022-23 Budget. (For more information on block grants included in the 2022-23 State Budget, see "STATE FUNDING OF SCHOOL DISTRICTS – State Budget Act – *2022-23 State Budget*" above.)

Revisions to the Fiscal Year 2022-23 Budget as a result of significant changes affecting the District's finances since the adoption of the Fiscal Year 2022-23 Budget include:

- additional allocations to the school staffing equity grant, student equity needs index, and home-to-school transportation in light of higher LCFF revenues.

- 5% salary increases to CSEA employees and other District-represented employees. (For more information on recent bargaining unit agreements, see "– Employees and Labor Relations" below.)

- increased health benefits expenditures resulting from the Health and Welfare Agreement. (For more information on the Health and Welfare Agreement, see "– Employees and Labor Relations – *Health and Welfare Agreement*" below.)

- commitment of funds comprising a portion of the General Fund ending balance for inflation protection. (For more information on the District's commitment of funds in fiscal year 2022-23, see "STATE FUNDING OF SCHOOL DISTRICTS – Limitations on School District Reserves.")

- increased contributions to the routine restricted maintenance account and the reserve for economic uncertainties to meet statutory requirements in light of increased funding.

As a result of the revisions to the Fiscal Year 2022-23 Budget summarized above, the District has revised certain of its assumptions and policies that informed the Fiscal Year 2022-23 Budget, which are described under " – District Budget – *Fiscal Year 2022-23 Budget*," as follows:

- a 12.84% increase in LCFF for fiscal year 2022-23;
- LCFF-funded ADA of 397,663 for non-charter schools, which is based on the computed average of 3 prior year's ADA, as adjusted in accordance with the COVID-19 ADA relief measures, and 34,228 for Affiliated Charter Schools, which is based on the current year ADA;
- LCFF supplemental and concentration expenditure of $1.55 billion;
- the District estimates to receive approximately $1.8 billion in fiscal year 2022-23 from HR 1319 - Elementary and Secondary School Emergency Relief (ESSER) III, which is a one-time COVID-19 resource, and approximately $480 million in fiscal year 2022-23 from Expanded Learning Opportunities Program;
- the District anticipates using monies received from HR 133 - Elementary and Secondary School Emergency Relief (ESSER) II, HR 1319 - Elementary and Secondary School Emergency Relief (ESSER) III, and the Expanded Learning Opportunities Program for schools, operations, and continuity of learning in the amount of $2.75 billion in fiscal year 2022-23;
- one-time State funding for the learning recovery block grant in the amount of approximately $667 million and for the arts, music and instructional materials discretionary block grant in the amount of approximately $256 million;
- the District anticipates using monies received from the learning recovery block grant in the amount of $111.2 million and from the arts, music and instructional materials discretionary block grant in the amount of $63.9 million in fiscal year 2022-23;
- funding for employee health and medical benefits at the updated per participant rate set forth in the Health and Welfare Agreement (defined herein);
- a California consumer price index of 5.75% on other operating expenditures, except utilities which is projected to increase by 1.44%;
- ongoing and major maintenance resources of $290.4 million, which constitutes approximately 3% of the District's budgeted General Fund expenditures and other financing uses, excluding CALSTRS on-behalf payments made by the State and COVID-19 expenditures from certain one-time funds related to ESSER II and ESSER III;
- support to the cafeteria program and child development from the General Fund of $9.3 million and $11.4 million, respectively, in fiscal year 2022-23; and
- a Reserve for Economic Uncertainties totaling $240.2 million, which reflects the statutory 2% budgeted expenditure requirement and other financing uses.

In light of the additional funding allocated to the District in the 2022-23 State Budget, the District is able to use such funds to enhance its programs, expand early childhood educational opportunities, and improve school climate and digital literacy. Impacts to the economy, of both the State and the nation, such as rising inflation, with demand for resources outpacing supply, an interest rate increase policy to control inflation, and the potential resurgence of COVID-19 and other infectious diseases are risk factors that could affect the District's financial condition. As such, the District is continuing to build reserves and commit funds to key priorities including student equity needs, OPEB funding, and inflation protection.

District General Fund Budgets and Audited Actuals. The following Table A-4 sets forth the District's Final Adopted Budgets for the District General Fund, inclusive of regular and specially funded programs, for fiscal years 2018-19 through 2022-23 and the actual results for fiscal years 2018-19 through 2020-21 and the unaudited actuals for fiscal year 2021-22. 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-4

LOS ANGELES UNIFIED SCHOOL DISTRICT
District General Fund Budget for Fiscal Years 2018-19 through 2022-23
Audited Actuals for Fiscal Years 2018-19 through 2020-21 and Unaudited Actuals for Fiscal Year 2021-22[(1)(2)(3)]
($ in millions)

	Revised Adopted Budget 2018-19[(4)]	Audited Actuals 2018-19	Final Adopted Budget 2019-20	Audited Actuals 2019-20	Revised Adopted Budget 2020-21[(5)]	Audited Actuals 2020-21	Final Adopted Budget 2021-22	Unaudited Actuals 2021-22[(6)]	Final Adopted Budget 2022-23[(7)]
Beginning Balance	$1,999.0	$2,010.8	$2,010.8	$2,216.9	$1,866.7	$2,049.5	$2,714.4	$2,855.3	$3,567.6
Revenue									
State Apportionment	$4,475.6	$4,321.2	$4,364.8	$4,264.8	$4,122.2	$4,133.6	$4,357.5	$4,485.4	$4,573.8
Property Taxes	1,190.2	1,336.4	1,222.5	1,388.6	1,407.7	1,522.3	1,466.2	1,551.0	1,511.6
Total LCFF	5,665.9	5,657.6	5,587.4	5,653.4	5,529.9	5,655.9	5,823.7	6,036.4	6,085.4
Federal	632.4	636.5	767.8	631.1	1,576.6	1,674.4	4,446.0	1,855.9	2,823.3
Other State	962.5	1,220.5	873.5	1,137.0	963.1	1,223.8	1,374.3	1,748.8	1,717.9
Other Local	144.7	218.0	142.4	170.1	142.5	190.8	132.5	32.8	168.1
Total Revenue	$7,405.4	$7,732.6	$7,371.0	$7,591.6	$8,212.1	$8,745.0	$11,776.5	$9,673.9	$10,794.7
Total Beginning Balance and Revenue	$9,404.4	$9,743.4	$9,381.8	$9,808.5	$10,078.8	$10,794.5	$14,490.9	$12,529.2	$14,362.3
Expenditures									
Certificated Salaries	$2,894.1	$2,980.3	$3,008.7	$2,998.9	$3,252.1	$3,086.7	$3,411.4	$3,379.8	$3,772.5
Classified Salaries	1,007.1	1,046.7	986.1	1,077.6	1,073.5	1,159.8	1,107.2	1,257.2	1,260.8
Employee Benefits	2,090.3	2,266.3	2,172.6	2,300.9	2,169.1	2,151.4	2,437.6	2,370.1	2,798.4
Books and Supplies	576.5	341.1	698.5	267.0	1,001.9	621.3	1,638.0	479.4	2,793.8
Other Operating Expenses	858.9	857.1	862.0	975.0	893.4	1,067.8	1,076.5	1,655.7	1,045.9
Capital Outlay	87.5	75.5	101.4	128.1	81.5	95.7	54.3	94.7	17.9
Debt Service	0.5	0.4	0.5	0.3	0.4	0.1	0.3	5.7	0.1
Other Outgo	7.7	4.9	7.7	5.6	7.7	5.5	7.7	5.5	5.3
Transfers of Indirect Cost	(32.7)	(30.1)	(27.3)	(23.2)	(27.0)	(22.3)	(31.6)	(24.9)	(30.4)
Total Expenditures	$7,489.8	$7,542.2	$7,810.3	$7,730.3	$8,452.7	$8,166.0	$9,701.5	$9,223.2	$11,664.3
Excess (Deficiency) of Revenue Over (Under) Expenditures	(84.4)	190.4	(439.3)	(138.7)	(240.6)	579.0	2,075.0	450.6	(869.6)
Total Other Financing Sources (Uses)	(41.6)	15.7	(36.5)	(28.7)	286.6	226.8	(25.1)	94.2	4.6
Change in Fund Balance	(126.0)	206.1	(475.7)	(167.4)	46.0	805.8	2,049.9	544.8	(865.0)
Ending Balance	$1,873.0	$2,216.9	$1,535.1	$2,049.5	$1,912.7	$2,855.3	$4,764.3	$3,400.1	$2,702.6

TABLE A-4

LOS ANGELES UNIFIED SCHOOL DISTRICT
District General Fund Budget for Fiscal Years 2018-19 through 2022-23
Audited Actuals for Fiscal Years 2018-19 through 2020-21 and Unaudited Actuals for Fiscal Year 2021-22 (1)(2)(3)
(Continued)
($ in millions)

	Revised Adopted Budget 2018-19(4)	Audited Actuals 2018-19	Final Adopted Budget 2019-20	Audited Actuals 2019-20	Revised Adopted Budget 2020-21(5)	Audited Actuals 2020-21	Final Adopted Budget 2021-22	Unaudited Actuals 2021-22(6)	Final Adopted Budget 2022-23(7)
Fund Balance(8)									
Nonspendable	$ 27.6	$ 27.3	$ 27.6	$ 37.7	$ 27.3	$ 58.0	$ 37.7	$ 48.0	$ 46.6
Restricted	74.4	114.6	56.7	103.9	55.2	200.0	2,731.6	544.5	208.6
Committed	91.9	174.6	87.6	87.6	--	--	--	--	1,491.3
Assigned	904.1	916.1	618.0	1,248.9	568.2	1,064.1	592.1	1,596.0	351.6
Reserved for Economic Uncertainties	75.6	75.6	79.0	79.0	85.2	92.0	97.7	199.9	234.1
Undesignated/Unassigned	699.4	908.6	666.3	492.4	1,176.8	1,441.3	1,305.3	1,011.7	370.4
	$1,873.0	$2,216.9	$1,535.1	$2,049.5	$1,912.7	$2,855.3	$4,764.3	$3,400.1	$2,702.6

(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-4 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) The District's budget for fiscal year 2018-19 was initially adopted by the District Board on June 19, 2018, but it received conditional approval by LACOE. At LACOE's request, the District revised its budget for fiscal year 2018-19, which was subsequently adopted by the District Board on October 2, 2018. Figures are based on such revised fiscal year 2018-19 budget.
(5) The District's original budget for fiscal year 2020-21 was adopted by the District Board on June 30, 2020. On August 25, 2020, the District Board adopted a revised budget for fiscal year 2020-21, which reflects the revised assumptions contained in the 2020-21 State Budget. Figures are based on the revised budget for fiscal year 2020-21.
(6) For more information on the difference between the federal revenues the District originally budgeted to receive in fiscal year 2021-22 and those actually received, see "– Unaudited Actuals – *Fiscal Year 2021-22 Unaudited Actuals*" above.
(7) Reflects the Fiscal Year 2022-23 Budget adopted by the District Board on June 21, 2022. For information on subsequent revisions to the Fiscal Year 2022-23 Budget, see "– District Budget – *Revisions to Fiscal Year 2022-23 Budget*."
(8) The nonspendable, restricted, committed, assigned, reserved for economic uncertainties and undesignated/unassigned general fund balances in millions of dollars for fiscal years 2010-11 through 2017-18 are as follows: $10.4, 266.4, --, 147.0, 65.4, and 414.3, respectively, for fiscal year 2010-11; $11.2, 186.6, --, 465.3, 65.4 and 96.4, respectively, for fiscal year 2011-12; $18.5, 138.5, --, 370.4, 65.4 and --, respectively, for fiscal year 2012-13; $19.6, 192.9, --, 336.4, 65.4 and 85.9, respectively, for fiscal year 2013-14; $20.7, 126.5, --, 418.4, 65.4 and 188.8, respectively, for fiscal year 2014-15; $31.1, 182.8, 218.3, 558.7, 72.4 and 247.0, respectively, for fiscal year 2015-16; $23.5, 163.1, --, 783.9, 73.4, and 721.3, respectively, for fiscal year 2016-17; and $27.6, 135.8, --, 1,057.4, 75.4, and 714.7, respectively, for fiscal year 2017-18.

Sources: Los Angeles Unified School District's Final Adopted Budgets for fiscal years 2018-19 through 2022-23; Audited Annual Financial Report for fiscal years 2018-19 through 2020-21; Unaudited Actuals for fiscal year 2021-22.

Historical Review of District General Fund Actual Revenues and Expenditures. The following Table A-5 sets forth the District's total revenues, total expenditures and the difference reflected in the actual results for fiscal years 1999-00 through 2020-21 and in the unaudited actuals for fiscal year 2021-22.

TABLE A-5

LOS ANGELES UNIFIED SCHOOL DISTRICT
Historical Review of District General Fund Audited Revenues and Expenditures for Fiscal Years 1999-00 through 2020-21 and Unaudited Actuals for Fiscal Year 2021-22
($ in millions)

Fiscal Year	Total Revenues[1]	Total Expenditures[2]	Difference
1999-00	$ 5,076.21	$ 5,124.65	$ (48.44)
2000-01	5,686.88	5,680.87	6.01
2001-02	5,782.00	5,931.96	(149.96)
2002-03	6,090.76	6,094.08	(3.32)
2003-04	5,881.69	6,136.75	(255.06)
2004-05	6,461.93	6,436.35	25.58
2005-06	6,572.70	6,487.75	84.95
2006-07	6,994.08	6,733.36	260.72
2007-08	6,954.29	6,992.29	(38.00)
2008-09	6,764.50	6,671.80	92.70
2009-10	6,302.12	6,389.17	(87.05)
2010-11	6,428.93	6,193.37	235.56
2011-12	5,919.59	5,998.31	(78.72)
2012-13	5,722.96	5,955.05	(232.09)
2013-14	5,896.35	5,788.82	107.53
2014-15	6,452.84	6,333.28	119.56
2015-16	7,213.53	6,723.15	490.38
2016-17	7,292.27	6,837.31	454.96
2017-18	7,308.08	7,062.45	245.63
2018-19	7,788.71	7,582.63	206.08
2019-20	7,613.72	7,781.09	(167.37)
2020-21	9,010.00	8,204.19	805.82
2021-22	9,720.45	9,237.64	482.81

(1) Includes Other Financing Sources.
(2) Includes Other Financing Uses.
Sources: Audited Annual Financial Report for fiscal years 1999-00 through 2020-21; Fiscal Year 2021-22 Unaudited Actuals.

District Interim Financial Reports. A State law adopted in 1991 (known as "A.B. 1200") imposed financial reporting requirements on school districts and established guidelines for emergency State aid apportionments. Under the provisions of A.B. 1200 and the Education Code (Section 42100 *et. seq.*), each school district is required to file two interim certifications with the county superintendent of schools (on December 15, for the period ended October 31, and by mid-March for the period ended January 31) as to its ability to meet its financial obligations for the remainder of the then-current fiscal year and, based on current forecasts, for the subsequent fiscal year. The county superintendent of schools reviews the certification and issues either a positive, negative or qualified certification. In the past five fiscal years, the District has received a qualified certification for its first interim report for fiscal year 2017-18, its first and second interim reports for fiscal year 2018-19, and its first interim report for fiscal year 2021-22.

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

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

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

Employees and Labor Relations

General. The District has twelve bargaining units with existing contracts. The largest bargaining unit among the District's employees is United Teachers Los Angeles ("UTLA"), which is comprised of, among other employees, teachers, counselors, advisers, nurses, psychologists, and social workers. In addition, certain employees are not represented by a formal bargaining unit (the "District Represented Employees"). The following Table A-6 sets forth the number of members of each bargaining unit as of October 1, 2022, and the expiration dates of the existing or successor labor agreements with each of the District's employee bargaining units.

TABLE A-6

LOS ANGELES UNIFIED SCHOOL DISTRICT
Employee Bargaining Units and Contract Expiration Dates
As of October 1, 2022

Employee Bargaining Unit	Members	Contract Expiration Date (June 30)
Associated Administrators of Los Angeles ("AALA") (Certificated)	3,032	2023
Unit A (School Police)	235	2023
Unit B (Instructional Aides)	11,992	2020[2]
Unit C (Operations – Support Services)	8,212	2020[2]
Unit D (Office – Technical and Business Services)	4,456	2023
Unit E (Skilled Crafts)	1,291	2020[2]
Unit F (Teacher Assistants)	1,814	2020[2]
Unit G (Playground Aides)	6,509	2020[2]
Unit H (Sergeants and Lieutenants)	46	2023
Unit J (Classified Management)	365	2021[2]
Unit S (Classified Supervisors)	3,110	2023
United Teachers Los Angeles	35,357	2022[2]
District Represented Employees[1]	530	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.
(2) The District and the applicable bargaining unit are operating under the terms of the expired contract until a new contract is negotiated with such bargaining unit.

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

Negotiations Regarding Labor Contracts. UTLA and the District reached a three-year agreement for fiscal years 2019-20 through 2021-22 (the "UTLA Agreement"). Under the UTLA Agreement, UTLA had the option to reopen negotiations regarding salary in fiscal years 2020-21 and 2021-22. In September 2021, the District and UTLA reached an agreement on its reopener negotiations for fiscal year 2021-22, which includes a 5% on-schedule salary increase effective July 1, 2021, a $2,000 one-time, off-schedule salary stipend, and a $500 off-schedule technology stipend for fiscal year 2021-22. The District and UTLA have commenced negotiations for a successor contract for fiscal years 2022-23 through 2024-25.

SEIU Local 99 (Units B, C, F and G) and the District reached a three-year agreement for fiscal years 2017-18 through 2019-20 agreement (the "SEIU Agreement"). The SEIU Agreement provided for an economic reopener in fiscal year 2019-20. In June 2021, the District and SEIU came to agreement for their fiscal year 2019-20 reopener agreement which provided a $1.00 per hour increase for all bargaining unit members and a $750 lump-sum payment. The District and SEIU have commenced negotiations for a successor contract for fiscal years 2020-21 through 2022-23.

AALA (Certificated Administrators) and the District reached a three-year agreement for fiscal years 2020-21 through 2022-23 (the "AALA Agreement"). Pursuant to the AALA Agreement, AALA and the District agreed to a 5% salary increase, retroactive to July 1, 2021. The AALA Agreement provides for a reopener for three unspecified articles in fiscal year 2022-23. The District and AALA have not commenced reopener negotiations for fiscal year 2022-23.

CSEA (Unit D – Technical and Business Services) and the District reached a three-year agreement for fiscal years 2020-21 through 2022-23 (the "CSEA Agreement"). Pursuant to the CSEA Agreement, CSEA and the District agreed to a 5% salary increase, retroactive to July 1, 2021. The CSEA Agreement also increases the salary for licensed vocational nurses by $7,000. Due to the timing of the CSEA Agreement, the financial impact of the CSEA Agreement was not reflected in the Fiscal Year 2022-23 Budget, but it was subsequently reflected in the revisions to the Fiscal Year 2022-23 Budget presented to the District Board in August 2022. For more information on the impact of the CSEA Agreement on the Fiscal Year 2023-23 Budget, see "– District Budget – *Revisions to Fiscal Year 2022-23 Budget*" above. The CSEA Agreement provides for a reopener for three articles – wages and salaries, vacation, and telecommuting – in fiscal year 2022-23. CSEA has requested to commence reopener negotiations for fiscal year 2022-23.

Teamsters (Unit S – Classified Supervisors) and the District reached a three-year agreement for fiscal years 2020-21 through 2022-23 (the "Teamsters Agreement"). Pursuant to the Teamsters Agreement, Teamsters and the District agreed to a $1.00 per hour salary increase for all bargaining unit members, retroactive to July 1, 2019, and a 5% salary increase, retroactive to July 1, 2021. The Teamsters Agreement provides for a reopener for two articles – wages and salaries and health and welfare negotiating alternatives to retiree benefits – in fiscal year 2022-23. Teamsters has requested to commence reopener negotiations for fiscal year 2022-23.

LASPA (Unit A – School Police) and the District reached a three-year agreement for fiscal years 2020-21 through 2022-23 (the "LASPA Agreement"). Pursuant to the LASPA Agreement, LASPA and the District agreed to a 5% salary increase, retroactive to July 1, 2021. The LASPA Agreement provides for a reopener for three unspecified articles in fiscal year 2022-23. LASPA has not yet requested to commence reopener negotiations for fiscal year 2022-23. LASPA and the District are currently in dispute over LASPA's assertion that they are entitled to a $1.00 per hour increase for fiscal year 2019-20.

LASPMA (Unit H – School Police Management) and the District reached a three-year agreement for fiscal years 2020-21 through 2022-23 (the "LASPMA Agreement"). Pursuant to the LASPMA Agreement, LASPA and the District agreed to a 5% salary increase, retroactive to July 1, 2021. The LASPMA Agreement provides for a reopener for three unspecified articles in fiscal year 2022-23. LASPMA has not yet requested to commence reopener negotiations for fiscal year 2022-23.

Trades (Unit E) and the District reached an agreement for fiscal year 2019-20 (the "Trades Agreement"). The Trades Agreement contained a limited reopener for those bargaining unit members who did not receive an adjustment for economic inequities for fiscal year 2019-20. The District and Trades have not yet begun negotiations for a successor contract.

AALA (Unit J – Classified Managers) and the District reached a three-year agreement for fiscal years 2018-19 through 2020-21. The District and AALA have commenced negotiations for a successor contract for fiscal years 2021-22 through 2023-24.

Employees that are classified as "District-represented" are not a formal bargaining unit, but the District Board approved a 5% salary increase retroactive to July 1, 2021 for such employees on June 14, 2022. Due to the timing of such approval, the financial impact of such salary increases for District-represented employees was not reflected in the Fiscal Year 2022-23 Budget, but it was subsequently reflected in the revisions to the Fiscal Year 2022-23 Budget presented to the District Board in August 2022. For more information on the impact of the salary increases for District-represented employees on the Fiscal Year 2023-23 Budget, see "– District Budget – *Revisions to Fiscal Year 2022-23 Budget*" above.

Health and Welfare Agreement. The District initially entered into a three-year agreement with all of its bargaining units regarding health and welfare benefits for calendar years 2018 through 2020, which was extended through December 31, 2021 (the "Prior Health and Welfare Agreement"). In August 2022, the District and its bargaining units agreed to a new health and welfare benefits agreement (the "Health and Welfare Agreement") for calendar years 2022 and 2023. The Health and Welfare Agreement provides over $1.1 billion annually for health and welfare benefits and provides resources for health care coverage to continue in the same manner for current employees and retirees. Pursuant to the Health and Welfare Agreement, the District's per-participant contribution in 2022 will remain consistent with 2021 levels, but the per-participant contribution in 2023 will increase. Accordingly, the District estimates that the overall financial impact to the District of the Health and Welfare Agreement will increase its budgeted health and welfare costs by approximately $8.60 million in fiscal year 2022-23, $17.16 million in fiscal year 2023-24, and $16.81 million in fiscal year 2024-25 compared to what was included in the Fiscal Year 2022-23 Budget. Under both the Prior Health and Welfare Agreement and the Health and Welfare Agreement, any amounts in excess of $100 million in the health care reserves in the current calendar year will, at the District's discretion, be transferred to the District's General Fund or used to offset the District's contribution levels for future years. In accordance with the Prior Health and Welfare Agreement, the District transferred $227 million to the District's General Fund in February 2021. As of June 30, 2021 and June 30, 2022, the District had $116.6 million and $64.6 million (unaudited), respectively, in health care reserves. Given the current balance of the District's health care reserves, it is not expected that such balance will sufficiently exceed $100 million in order to warrant a transfer to the District's General Fund at the close of calendar year 2022. Nonetheless, the District continues to revise and refine its financial projections as additional information becomes available.

Reduction in Force and Release Notices. In general, pursuant to Sections 44949 and 44951 of the Education Code, the District must give written notice to a certificated employee no later than March 15 if such certificated employee is to be released or reassigned for the ensuing school year. Similarly, pursuant to Section 45117 of the Education Code, the District must give written notice to a classified employee no later than March 15 if such classified employee is to be laid off for the ensuing school year. Further, pursuant to Sections 44955.5 and 45117(d) of the Education Code (as applicable), the District Board has the authority to terminate the services of certificated and classified employees between the period commencing five days after the enactment of the annual State Budget Act and August 15 of the fiscal year to which the State Budget Act applies if the District's LCFF apportionment per unit of ADA has not increased by at least 2% for such fiscal year.

In order to provide flexibility in the event budget reductions are necessary in a given fiscal year, the District Board may approve the use of Reduction in Force and Release Notices for a portion of its certificated and classified employees. On February 8, 2022, the District Board authorized Reduction in Force and Release Notices to be sent no later than March 15, 2022 for all certificated contract level management, senior management employees of the classified service with expiring contracts, all non-permanent and selected permanent certificated administrators, supervisory employees, confidential employees and all non-school based administrators in specified positions and at least 45 days prior to June 30, 2022 to senior management employees of the classified service with expiring contracts informing them that they may be released or reassigned for fiscal year 2022-23, and authorizing staff to send subsequent notices by June 30, 2022, to employees who were sent notices on March 15, 2022 and have been identified for actual release. While notices of release and reassignment were sent to certain certificated and classified personnel in 2022, no layoffs of certificated or classified personnel occurred for fiscal year 2022-23.

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-7 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 2018-19 through 2021-22 and the budgeted contribution for fiscal year 2022-23 and these contributions as a percentage of the District's Total Governmental Funds expenditures for fiscal years 2018-19 through 2022-23. See Table A-8 "Annual Regular CalSTRS Contributions," Table A-10 "Annual CalPERS Regular Contributions" and Table A-13 "Annual PARS Contribution." See also the District's financial statements for fiscal year 2020-21 contained in APPENDIX B – "AUDITED ANNUAL FINANCIAL REPORT OF THE DISTRICT FOR FISCAL YEAR ENDED JUNE 30, 2021."

TABLE A-7

LOS ANGELES UNIFIED SCHOOL DISTRICT
Aggregate Employer Contributions to CalSTRS, CalPERS and PARS
Fiscal Years 2018-19 through 2022-23
($ in millions)

Fiscal Year	District Contributions(1)	District Contribution as Percentage of Total Governmental Funds Expenditures
2018-19	$708.6	7.05%
2019-20	755.3	7.35
2020-21	762.3	7.06
2021-22(2)	869.2	7.19
2022-23(3)	1,135.9	7.70

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

Sources: Audited Annual Financial Report for fiscal years 2018-19 through 2020-21; Fiscal Year 2021-22 Unaudited Actuals; Fiscal Year 2022-23 Budget; and the District for the percentage of Total Governmental Funds Expenditures.

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

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

Member benefits are determined pursuant to the Education Code and are generally based on a member's age, final compensation and years of credited service. Members are 100% vested in retirement benefits after five years of credited service and are eligible for "normal" retirement at age 60 and for early retirement at age 55 or at age 50 with 30 years of credited service. The normal retirement benefit is 2% of final compensation (as defined in the Education Code) for each year of credited service (up to 2.4% of final compensation for members retiring after age 60), and members who retire on or after January 1, 2011 with 30 or more years of service by December 31, 2010 receive monthly bonus payments of up to $400 per month. Members hired on or after January 1, 2013 who retire at age 62 are eligible for a benefit equal to 2% of final compensation for each year of credited service (up to 2.4% of final compensation for members retiring after age 62). Benefits include a 2% cost of living increase (computed on a simple, non-compounded, basis based on the initial allowance) on each September 1 following the first anniversary of the effective date of the benefit. See "*– California Public Employees' Pension Reform Act of 2013*" herein and Note 9 set forth in APPENDIX B – "AUDITED ANNUAL FINANCIAL REPORT OF THE DISTRICT FOR FISCAL YEAR ENDED JUNE 30, 2021."

Funding; Contributions. The CalSTRS defined benefit plan (the "DB Plan") is funded through a combination of investment earnings and statutorily set contributions from members of CalSTRS, the participating employers (including the District) and the State. Prior to fiscal year 2014-15, the statutorily-set rate did not vary annually to adjust for funding shortfalls or actuarial surpluses. As a result, the combined employer, employee and State contributions to the DB Plan were not sufficient to pay actuarially required amounts. To address the shortfall, Assembly Bill 1469 ("AB 1469"), signed into law by the Governor as part of the State budget for fiscal year 2014-15, increased member, employer and State contributions as part of a plan to eliminate by June 30, 2046, CalSTRS' unfunded liability for service credited to members of the CalSTRS defined benefit program before July 1, 2014.

The State is not an employer (with certain limited exceptions) in any of the CalSTRS programs but contributes to the DB Plan and a supplemental benefits maintenance account pursuant to provisions of the Education Code. For fiscal year 2021-22, the State contributed 8.328% of members' annual earnings to the DB Plan and an additional 2.5% of member earnings into the CalSTRS supplemental benefit maintenance account, which is used to maintain the purchasing power of benefits. The State's contribution rate for fiscal year 2022-23 is expected to be 8.328% of members' annual earnings to the DB Plan and an additional payment of 2.5% of member earnings into the CalSTRS supplemental benefit maintenance account.

The District's employer contribution rate for fiscal year 2021-22 was 16.92%, which reflects a 2.18% reduction from the statutorily prescribed rate. The District's employer contribution rate for fiscal year 2022-23 is expected to be approximately 19.10% of covered payroll. On behalf of employers, the State made supplemental pension payments to CalSTRS in fiscal year 2019-20 to help pay down long-term unfunded liabilities, but in fiscal year 2020-21, the State redirected approximately $1.6 billion of such funding to reduce employer contribution rates in fiscal years 2020-21 and 2021-22. The District's employer contribution rate is inclusive of the employer base contribution of 8.25% of payroll provided by the Education Code.

The employee contribution rate for CalSTRS members first hired on or before December 31, 2012 to perform CalSTRS creditable activities (i.e., CalSTRS 2% at 60 members) was 10.25% for fiscal years 2016-17 through 2021-22 and will remain 10.25% for fiscal year 2022-23. The employee contribution rate for CalSTRS members first hired on or after January 1, 2013 to perform CalSTRS creditable activities (i.e., CalSTRS 2% at 62 members) was 9.205% for fiscal years 2016-17 and 2017-18, 10.205% for fiscal years 2018-19 through 2021-22, and will remain 10.205% for fiscal year 2022-23. The State Teachers Retirement Board is authorized to modify the percentages paid by employers and employees beginning in fiscal year 2021-22 and each fiscal year thereafter in order to eliminate by June 30, 2046, CalSTRS' unfunded liability for service credited to members of the CalSTRS defined benefit program before July 1, 2014, based upon actuarial recommendations as discussed in more detail below. See "– *Pension Accounting and Financial Reporting Standards*" and "STATE FUNDING OF SCHOOL DISTRICTS – Limitations on School District Reserves" herein.

The following Table A-8 sets forth the District's regular annual contributions to CalSTRS for fiscal years 2018-19 through 2021-22 and the budgeted contribution for fiscal year 2022-23 and such contributions as a percentage of the District's Total Governmental Funds expenditures for fiscal years 2018-19 through 2022-23. The District has always paid all required CalSTRS annual contributions. As of June 30, 2022, 36,822 (unaudited) District employees were members of CalSTRS.

TABLE A-8

LOS ANGELES UNIFIED SCHOOL DISTRICT
Annual Regular CalSTRS Contributions
Fiscal Years 2018-19 through 2022-23
($ in millions)

Fiscal Year	CalSTRS Employer Rate	District Contributions[1]	District Contribution as Percentage of Total Governmental Funds Expenditures
2018-19	16.28%	$483.2	4.81%
2019-20	17.10	509.0	4.95
2020-21	16.15	497.7	4.61
2021-22[2]	16.92	563.9	4.66
2022-23[3]	19.10	747.7	5.07

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

Sources: Audited Annual Financial Report for fiscal years 2018-19 through 2020-21; Fiscal Year 2021-22 Unaudited Actuals; Fiscal Year 2022-23 Budget; and the District for the percentage of Total Governmental Funds Expenditures.

The State Teachers' Retirement Board is authorized to modify the percentages paid by employers and employees beginning fiscal year 2021-22 to eliminate by June 30, 2046, CalSTRS' unfunded liability for service credited to members of the CalSTRS defined benefit program before July 1, 2014, based upon actuarial recommendations. A decrease in investment earnings may result in increased employer contribution rates in order to timely eliminate by June 30, 2046, CalSTRS' unfunded liability for service credited to members of the CalSTRS defined benefit program before July 1, 2014, based upon actuarial recommendations. The District cannot predict the impact of State, national, and international events on investment earnings and employer contribution rates. The State Teachers Retirement Board may not increase the employer contribution rate by more than 1% in any fiscal year up to a maximum contribution rate of 20.25%. The State Teachers Retirement Board may also adjust the State's contribution rate by a maximum of 0.5% from year to year, based on the funding status of the CalSTRS actuarially determined unfunded liability. The District is unable to predict what the amount of pension liabilities will be beyond the fiscal years set forth in AB 1469 or the amount the District will be required to pay for pension related costs, as these amounts are subject to future rate actions taken by CalSTRS. Accordingly, there can be no assurances that the District's required contributions to CalSTRS will not significantly increase in the future above levels currently approved under State law.

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

The actuarial valuation for the entire CalSTRS defined benefit program as of June 30, 2021 (the "2021 CalSTRS Actuarial Valuation") showed an estimated unfunded actuarial liability of $89.7 billion, a decrease of approximately $16.2 billion from the June 30, 2020 valuation. Such estimated unfunded actuarial liability was projected to increase in the June 30, 2020 valuation, which projected an unfunded actuarial liability of $108.0 billion as of June 30, 2021. The actual unfunded actuarial liability as of June 30, 2021 represents a net actuarial gain of approximately $18.2 billion. Such net actuarial gain is due primarily to member salary increases being less than assumed and market value returns (estimated at 27.1%) being greater than assumed (7.0%). The funded ratios of the actuarial value of valuation assets over the actuarial accrued liabilities as of June 30, 2021 and June 30, 2020, based on the actuarial assumptions, were approximately 73.0% and 67.1%, respectively. According to the 2021 CalSTRS Actuarial Valuation, the funded ratio increased by 5.9% during the past year. As described in the 2021 CalSTRS Actuarial Valuation, the primary causes for the increase in the funded ratio are investment returns being greater than expected, salary increases being less than assumed, additional State contributions made in the prior fiscal year, and contributions to pay down the unfunded actuarial liability under the State Teachers' Retirement Board's valuation policy.

The following are certain of the actuarial assumptions set forth in the 2021 CalSTRS Actuarial Valuation: measurement of accruing costs by the "Entry Age Normal Actuarial Cost Method," an assumed 7.00% investment rate of return for measurements subsequent to June 30, 2016, 3.00% interest on member accounts, 3.50% projected wage growth, and 2.75% projected inflation and demographic assumptions relating to mortality rates, length of service, rates of disability, rates of withdrawal, probability of refund, and merit salary increases. Future estimates of the actuarial unfunded liability may change due to market performance, legislative actions and other experience that may differ from the actuarial assumptions used for the CalSTRS valuation. The 2021 CalSTRS Actuarial Valuation also assumes that all members hired on or after January 1, 2013 are subject to the provisions of PEPRA (as defined herein). See "*– California Public Employees' Pension Reform Act of 2013*" below for a discussion of the pension reform measure signed by the Governor in September 2012 expected to help reduce future pension obligations of public employers with respect to employees hired on or after January 1, 2013.

The CalSTRS Comprehensive Annual Financial Report for fiscal year 2020-21 (the "2020-21 CalSTRS CAFR") states that during fiscal year 2020-21, CalSTRS included 37,110 covered employees of the District in its State Teachers Retirement Program and 3,379 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 7.85% and 12.07% of covered employees in the State Teacher's Retirement Program and Pension2 Program, respectively.

The UAAL and funded status of the CalSTRS pension fund as of June 30 of fiscal years ended June 30, 2017 through June 30, 2021 are set forth in the following Table A-9. The fair market value of the CalSTRS pension fund as of June 30, 2020 and June 30, 2021 was approximately $214.13 billion and $271.95 billion, respectively, based on total system assets less amounts allocable to the CalSTRS Supplemental Benefits Maintenance Account Reserve. The individual funding progress for the District and the District's proportionate share of CalSTRS' net pension liability is set forth in the District's audited financial statements. See "– *Pension Accounting and Financial Reporting Standards*" herein and APPENDIX B – "AUDITED ANNUAL FINANCIAL REPORT OF THE DISTRICT FOR FISCAL YEAR ENDED JUNE 30, 2021."

TABLE A-9

Actuarial Value of CalSTRS Defined Benefit Program
Valuation Dates June 30, 2017 through June 30, 2021
($ 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)
2017	$286.950	$179.689	$197.718	$107.3	62.6%	63.9%
2018	297.603	190.451	211.367	107.2	64.0	65.7
2019	310.719	205.016	225.466	105.7	66.0	67.0
2020	322.127	216.252	233.253	105.9	67.1	66.5
2021	332.082	242.363	292.980	89.7	73.0	81.9

(1) Actuarial Value of Assets does not include amounts allocable to the CalSTRS Supplemental Benefits Maintenance Account Reserve which was approximately $14.24 billion as of June 30, 2017, $15.76 billion as of June 30, 2018, $17.38 billion as of June 30, 2019, $19.13 billion as of June 30, 2020, and $21.03 billion as of June 30, 2021.

Sources: California State Teachers' Retirement System Defined Benefit Program Actuarial Valuations as of June 30, 2017 through June 30, 2021.

On July 29, 2022, after the release of the 2021 CalSTRS Actuarial Valuation, CalSTRS reported a negative 1.3% net return on investments for fiscal year 2021-22, which is CalSTRS' first negative return on investments since fiscal year 2008-09. The negative 1.3% net return on investments is less than the assumed annual rate of return on investments of 7.00%. Persistent negative returns on investments may result in increased employer contribution rates above the current level of expected increases. The District cannot predict the impact of State, national, and international events on investment returns and employer contribution rates or the amount the District will be required to pay for pension related costs. Accordingly, there can be no assurances that the District's required contributions to CalSTRS will not significantly increase in the future.

District Proportionate Share. As of June 30, 2021, the District's proportionate share of CalSTRS' net pension liability was approximately $5.4 billion, based on a discount rate of 7.10%. The net pension liability was measured as of June 30, 2020, 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 fiscal year 2019-20 employer contributions calculated by CalSTRS with consideration given to separately financed and irregular employer contributions relative to the projected contributions of all participating employer and non-employer contributing entities. At June 30, 2020, the District's proportionate rate was 5.403%. The District's proportionate share of the CalSTRS net pension liability was projected to be approximately $3.0 billion if the discount rate was increased to 8.1% and approximately $7.9 billion if the discount rate was decreased to 6.1%. See Note 9(b) of the District's financial statements in APPENDIX B – "AUDITED ANNUAL FINANCIAL REPORT OF THE DISTRICT FOR FISCAL YEAR ENDED JUNE 30, 2021."

California Public Employees' Retirement System. CalPERS is a defined benefit plan that covers classified personnel who work four or more hours per day. CalPERS is operated on a Statewide basis and, based on publicly available information, has significant unfunded liabilities. CalPERS issues a comprehensive annual financial report and actuarial valuations that include financial statements and required supplementary information. Copies of the CalPERS CAFR and actuarial valuations may be obtained from the CalPERS Financial Services Division, P.O. Box 942703, Sacramento, California 94229-2703. The information set forth therein is not incorporated by reference in this Official Statement. Benefit provisions are established by State legislation in accordance with the Public Employees' Retirement Law and are generally based on a member's age, final compensation, and years of credited service. For a description of member benefits for both the Safety Plan and Miscellaneous Plan of the District administered by CalPERS, see Note 9(a) set forth in APPENDIX B – "AUDITED ANNUAL FINANCIAL REPORT OF THE DISTRICT FOR FISCAL YEAR ENDED JUNE 30, 2021."

Funding; Contributions. All qualifying classified employees of K-12 school districts in the State are members in CalPERS. All school districts contributing to CalPERS participate in the same plan and share the same contribution rate in each year. However, unlike contributions to CalSTRS, which incrementally increase at statutorily set rates, school districts' contributions to CalPERS fluctuate each year and include a normal cost component and a component equal to an amortized amount of the unfunded liability of CalPERS. Accordingly, the District cannot provide any assurances that the District's required contributions to CalPERS in future years will not significantly vary from any current projected levels of contributions to CalPERS.

CalPERS is funded by employee contributions and investment earnings, with the balance of the funding provided by employer contributions. School districts' contributions decrease when investment earnings rise and increase when investment earnings decline. As a result, declines in investment earnings may result in substantial increases in school district contributions. The District cannot make any predictions as to the effect of State, national or international events on investment earnings and school district contributions. Participating employees enrolled in CalPERS prior to January 1, 2013 contribute 7.00% of their respective salaries, while participating employees enrolled after January 1, 2013 contribute the higher of fifty percent of normal costs of benefits or an actuarially determined rate of 7.00% in fiscal year 2021-22, which is expected to increase to 8.00% in fiscal year 2022-23. School districts are required to contribute to CalPERS at an actuarially determined rate, which was 18.062% of eligible salary expenditures for fiscal year 2018-19 and originally 20.733% and 22.68% for fiscal years 2019-20 and 2020-21, respectively. However, the employer contribution rate for fiscal year 2019-20 was reduced to 19.721% as a result of the State's buydown of employer contribution rates in fiscal year 2019-20. Similarly, the fiscal year 2020-21 State budget allocated funding to buy down employer contribution rates in fiscal years 2020-21 and 2021-22 to approximately 20.70% and 22.91%, respectively. The actuarially determined rate for employer contributions is expected to be 25.37% for fiscal year 2022-23. For a description of employer and member contribution rates, see Note 9(a) set forth in APPENDIX B – "AUDITED ANNUAL FINANCIAL REPORT OF THE DISTRICT FOR FISCAL YEAR ENDED JUNE 30, 2021."

The following Table A-10 sets forth the District's employer contribution rates, regular annual contributions, inclusive of employee contributions paid by the District to CalPERS for fiscal years 2018-19 through 2021-22 and the budgeted contribution for fiscal year 2022-23 and such contributions as a percentage of the District's Total Governmental Funds expenditures for fiscal years 2018-19 through 2022-23. The District has always paid all required CalPERS annual contributions. As of June 30, 2022, 28,562 (unaudited) District employees were members of CalPERS.

TABLE A-10

LOS ANGELES UNIFIED SCHOOL DISTRICT
Annual CalPERS Regular Contributions
Fiscal Years 2018-19 through 2022-23
($ in millions)

Fiscal Year	CalPERS Employer Rate (Miscellaneous)	CalPERS Employer Rate (Safety)	District Contributions[1]	District Contribution as Percentage of Total Governmental Funds Expenditures
2018-19	18.062%	36.949%	$218.3	2.17%
2019-20	19.721	43.059	239.1	2.33
2020-21	20.700	47.268	257.3	2.38
2021-22[2]	22.910	48.900	298.4	2.47
2022-23[3]	25.370	50.130	380.0	2.58

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

Sources: Audited Annual Financial Report for fiscal years 2018-19 through 2020-21; Fiscal Year 2021-22 Unaudited Actuals; Fiscal Year 2022-23 Budget; and the District for the percentage of Total Governmental Funds Expenditures.

Actuarial Valuation. Since the June 30, 2015 valuation, CalPERS has employed an amortization and smoothing policy that apportions all gains and losses over a fixed 30-year period with the increases or decreases in the rate spread directly over a five-year period. In contrast, the previous policy spread investment returns over a 15-year period with experience gains and losses spread over a rolling 30-year period. On December 21, 2016, the CalPERS Board of Administration lowered the discount rate from 7.50 percent to 7.00 percent using a three-year phase-in beginning with the CalPERS Schools Pool Actuarial Valuation as of June 30, 2017. The amounts of the pension/award benefit obligation or UAAL will vary from time to time depending upon actuarial assumptions, and actual rates of return on investments, salary scales, and levels of contribution. See Table A-11 – "Actuarial Value of Schools Portion of CalPERS – Historical Funding Status" herein.

The CalPERS Schools Pool Actuarial Valuation as of June 30, 2021 (the "2021 CalPERS Schools Pool Actuarial Valuation") reported an actuarial accrued liability of $110.5 billion with the market value of assets at $86.5 billion, and a funded status of 78.3%. The actuarial funding method used in the 2021 CalPERS Schools Pool Actuarial Valuation is the "Entry Age Normal Cost Method." The 2021 CalPERS Schools Pool Actuarial Valuation assumes, among other things, 2.30% inflation and payroll growth of 2.80% compounded annually. The 2021 CalPERS Schools Pool Actuarial Valuation reflects a discount rate of 6.80% compounded annually (net of administrative expenses) as of June 30, 2021. The CalPERS Board adopted new demographic assumptions on November 17, 2021, including a reduction in the discount rate from 7.00% as of June 30, 2020 to 6.80% as of June 30, 2021, a reduction in the inflation assumption from 2.50% as of June 30, 2020 to 2.30% as of June 30, 2021, and an increase in payroll growth from 2.75% as of June 30, 2020 to 2.80% as of June 30, 2021. The net impact of these assumption changes on the required employer contribution rate in fiscal year 2022-23 is an increase of 0.54%, which accounts for the increase in normal cost and unfunded liability to be paid over 20 years. The reduction in the inflation assumption results in decreases in both the normal cost and the accrued liabilities in the future. The UAAL and funded status of the Schools portion of CalPERS as of June 30 of fiscal years ended June 30, 2017 through June 30, 2021 are set forth in the following Table A-11.

TABLE A-11

Actuarial Value of Schools Portion of CalPERS
Historical Funding Status
Valuation Dates June 30, 2017 through June 30, 2021
($ 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
2017	$84,416	$60,865	72.1%	$23,551	$13,683	172.1%
2018	92,071	64,846	70.4	27,225	14,234	191.3
2019	99,528	68,177	68.5	31,351	14,844	211.2
2020	104,062	71,400	68.6	32,662	15,295	213.6
2021	110,507	86,519	78.3	23,988	15,181	158.0

Source: CalPERS Schools Pool Actuarial Valuation as of June 30, 2021.

On July 20, 2022, CalPERS reported a negative 6.1% net return on investments for fiscal year 2021-22, which is CalPERS' first negative return on investments since fiscal year 2008-09. The negative 6.1% net return on investments is less than the assumed annual rate of return on investments of 6.80%. Persistent negative returns on investments may result in increased employer contribution rates above the current level of expected increases. The District cannot predict the impact of State, national, and international events on investment returns and employer contribution rates. Accordingly, there can be no assurances that the District's required contributions to CalPERS will not significantly increase in the future.

District Proportionate Share. As of June 30, 2021, the District reported a net pension liability of $2.4 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, 2020, 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, 2019 rolled forward to June 30, 2020 using standard update procedures. The District's proportion of the net pension liability was based on the fiscal year 2019-20 employer contributions calculated by CalPERS. As of June 30, 2020, the District's proportion of the CalPERS net pension liability was approximately 7.89%. See "*– Pension Accounting and Financial Reporting Standards*" herein and Note 9(a) to the audited financial statements of the District contained in APPENDIX B – "AUDITED ANNUAL FINANCIAL REPORT OF THE DISTRICT FOR FISCAL YEAR ENDED JUNE 30, 2021."

Safety Plan Actuarial Valuation; Net Pension Liability. The CalPERS Safety Plan of the Los Angeles Unified School District (Employer # 3614620780) Annual Valuation Report as of June 30, 2021 uses the "Entry Age Normal Cost Method" as the actuarial funding method and assumes, among other things, a 6.8% investment rate of return (net of administrative expenses), projected annual salary increases based on category, entry age, and duration of service, projected inflation of 2.30% and projected payroll growth of 2.80%. 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, 2017 through June 30, 2021, are set forth in the following Table A-12. As of June 30, 2021, the District's net pension liability under the CalPERS Safety plan was $117.8 million.

TABLE A-12

CalPERS Actuarial Value of LAUSD Safety Plan[1]
Historical Funding Status
Valuation Dates June 30, 2017 through June 30, 2021
($ in millions)

Valuation Date (June 30)	Accrued Liability	Market Value of Assets[2]	Unfunded Liability	Funded Ratio	Annual Covered Payroll
2017	$387.4	$279.7	$107.7	72.2%	$32.5
2018	414.6	301.3	113.3	72.7	32.2
2019	438.7	320.7	118.0	73.1	33.7
2020	459.1	335.9	123.2	73.2	33.3
2021	479.3	412.9	66.4	86.1	26.2

(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-11 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, 2021.

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-13 sets forth the District's annual contributions to PARS for fiscal years 2018-19 through 2021-22 and the budgeted annual contribution to PARS for fiscal year 2022-23, and the contributions as a percentage of the District's Total Governmental Funds expenditures for fiscal years 2018-19 through 2022-23. As of June 30, 2022, 11,610 (unaudited) active District employees were members of PARS.

TABLE A-13

LOS ANGELES UNIFIED SCHOOL DISTRICT
Annual PARS Contribution
Fiscal Years 2018-19 through 2022-23
($ in millions)

Fiscal Year	District Contributions(1)(2)	District Contribution as Percentage of Total Governmental Funds Expenditures
2018-19	$7.1	0.07%
2019-20	7.2	0.07
2020-21	7.3	0.07
2021-22(3)	6.9	0.06
2022-23(4)	8.2	0.06

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

Sources: Audited Annual Financial Report for fiscal years 2018-19 through 2020-21; Fiscal Year 2021-22 Unaudited Actuals; Fiscal Year 2022-23 Budget; and the District for the percentage of Total Governmental Funds Expenditures.

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

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

In addition, PEPRA amends existing laws to redefine final compensation for purposes of pension benefits for PEPRA Employees. Further, PEPRA permits certain public employers who have offered a lower defined benefit retirement plan before January 1, 2013 to continue to offer such plan to PEPRA

Employees. However, if a public employer adopts a new defined benefit plan on or after January 1, 2013, such plan will be subject to PEPRA requirements unless, among other things, its retirement system's chief actuary and retirement board certify that the new plan is not riskier or costlier to the public employer than the defined benefit formula required under PEPRA.

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

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

Other Postemployment Benefits

General. In addition to employee health care costs, the District provides post-employment health care benefits ("OPEB") in accordance with collective bargaining agreements and the health benefits agreement. The District's OPEB consists of post-employment benefits for health, prescription drug, dental, and vision coverage for retirees and their dependents. As of June 30, 2021, there were approximately 60,601 active employees who meet the eligibility requirements for OPEB benefits, 38,634 inactive employees or beneficiaries currently receiving benefits, and 134 inactive employees entitled to but not yet receiving benefits, for a total of 99,369 current and former employees entitled to receive benefits under the District's OPEB plan. Historically, the District has funded these benefits on a pay-as-you-go basis, paying an amount in each fiscal year equal to the benefits distributed or disbursed in that fiscal year. Beginning in fiscal year 2013-14, the District's policy, subject to District Board approval, is to prefund a portion of its OPEB costs for employees, retirees and their beneficiaries by allocating funds for the express purpose of funding future other postemployment benefit costs to the extent possible. See "– District Financial Policies and Related Practices – *Budget and Finance Policy* – Liability Reserves" herein. The District Board approved the creation of the OPEB Trust Fund in May 2014. As of June 30, 2022, the District has contributed approximately $339 million to the OPEB Trust Fund, inclusive of the District's contributions of $60 million in July 2014, $30 million in September 2014, $45 million in September 2015, $6 million in March 2016, $78 million in October 2016 and $120 million in October 2017. The District did not contribute to the OPEB Trust Fund in fiscal years 2018-19, 2019-20, 2020-21, and 2021-22, but currently expects to contribute to the OPEB Trust Fund in fiscal year 2022-23. Based on the Fiscal Year 2022-23 Budget, the District has budgeted to contribute $211 million to the OPEB Trust Fund in fiscal year 2022-23. In a February 2022 Actuarial Valuation Report Postretirement Health Benefits as of the June 30, 2021 measurement date for fiscal year 2021-22 (the "2021 Actuarial Valuation"), Aon Hewitt indicated that based on the District's current funding policy, projected cash flows, and the assumed asset return, the assets in the OPEB Trust Fund are projected to be depleted in fiscal year 2029-30 if such assets were drawn upon to pay benefits as they come due without the District funding such benefits on a pay-as-you-go basis.

The following Table A-14 sets forth the District's funding of other postemployment benefits for fiscal years 2018-19 through 2021-22, the budgeted contribution for fiscal year 2022-23, and the contributions as a percentage of the District's Total Governmental Funds expenditures for fiscal years 2018-19 through 2022-23. In addition, Table A-14 sets forth the District's contribution to the OPEB Trust for fiscal years 2018-19 through 2022-23.

TABLE A-14

LOS ANGELES UNIFIED SCHOOL DISTRICT
Expenditures for Other Postemployment Benefits
Fiscal Years 2018-19 through 2022-23
($ in millions)

Fiscal Year	Pay-as-You-Go Amount	OPEB Trust Fund Contribution(3)	Total Amount	Expenditure as Percentage of Total Governmental Funds Expenditures
2018-19	$287.0	$0.0	$287.0	2.86%
2019-20	221.2	0.0	221.2	2.15
2020-21	231.2	0.0	231.2	2.14
2021-22(1)	231.1	0.0	231.1	1.91
2022-23(2)	262.2	211.0	473.2	3.21

(1) Unaudited.
(2) Budgeted.
(3) As of June 30, 2022, the District has contributed approximately $339 million to the OPEB Trust Fund, inclusive of the District's contributions of $60 million in July 2014, $30 million in September 2014, $45 million in September 2015, and $6 million in March 2016, $78 million in October 2016, and $120 million in October 2017.

Sources: Audited Annual Financial Reports for fiscal years 2018-19 through 2020-21; Fiscal Year 2021-22 Unaudited Actuals; Fiscal Year 2022-23 Budget; and the District for the percentage of Total Governmental Funds Expenditures.

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

The District's net OPEB liability takes into consideration the adoption of GASB 75, under which the District is required to recognize in full its total net OPEB liability rather than on an incremental basis. Over the past few years, the District has taken steps to (i) reduce its OPEB liability through a more cost-effective healthcare plan and (ii) pre-fund its OPEB liability by making deposits from time to time to an irrevocable trust when its reserves exceed the 5% Minimum Reserve Threshold, subject to District Board approval.

Changes in OPEB Liability. Effective January 1, 2019, the District implemented a less costly healthcare plan, the Anthem Preferred PPO (50 state Medicare Advantage Plan) (the "Anthem PPO"), which replaced the United HealthCare Group Medicare Advantage Plan and the Anthem Blue Cross Medicare (EPO) plan. The implementation of the Anthem PPO together with certain updated actuarial assumptions resulted in a significant reduction in the District's net OPEB liability from $14.97 billion as of June 30, 2018 (prior to the Anthem PPO implementation) to $11.18 billion as of June 30, 2019 (after the Anthem PPO implementation) to $8.58 billion as of June 30, 2020 (based on further revised actuarial assumptions). However, the District's net OPEB liability as of June 30, 2021 increased to $11.06 billion as a result of certain changes in actuarial assumptions described in more detail below. See "*– 2020 Actuarial Valuation*" below for more information. As of June 30, 2022 the District's net OPEB liability decreased to $10.19 billion based on certain changes in actuarial assumptions also described in more detail below. See "*– 2021 Actuarial Valuation*" below for more information.

2020 Actuarial Valuation. The District's net OPEB liability of $11.06 billion at June 30, 2021 is measured as the total OPEB liability, less the OPEB plan's fiduciary net position. The District's OPEB liability as of fiscal year June 30, 2021 is based on the actuarial assumptions and plan provisions in the Actuarial Valuation Report Postretirement Health Benefits as of June 30, 2020 (the "2020 Actuarial Valuation"), prepared for the District by Aon Hewitt. The 2020 Actuarial Report reflects updated financial information for fiscal year 2020-21 and is based on the census data, actuarial assumptions, and plan provisions used in the District's prior actuarial valuation with the following changes:

- Assets: $425,988,386 as of June 30, 2020 measurement date
- Municipal Bond Rate: 2.21% as of June 30, 2020, based on the *Bond Buyer* General Obligation Bond 20-Bond Municipal Bond Index
- Expected Long-Term Return on Assets: 7.30% as of June 30, 2020, based on District's revised expectations for certain asset allocations
- Discount Rate: 2.30% as of June 30, 2020, after reassessment based on updated assets and municipal bond rate as of June 30, 2020

Most notable of such changes in assumptions in the 2020 Actuarial Valuation is the 130-basis point decrease in the discount rate that increased the value of liabilities by more than 20% for fiscal year 2020-21, increased the unfunded liability for fiscal year 2020-21, and increased the expenses for fiscal years 2020-21 and 2021-22. As a result, the District's net OPEB liability increases to $11.06 billion as of June 30, 2021. After evaluating data for the period of January through June 2020 provided by the District, Aon Hewitt determined that there was no significant impact to the District's OPEB plan as a result of the COVID-19 pandemic to justify changes to demographic, healthcare claims, medical trend, mortality or other behavioral assumptions.

2021 Actuarial Valuation. The District's net OPEB liability decreased by nearly $1 billion from $11.06 billion as of June 30, 2021 to $10.19 billion as of June 30, 2022. According to the 2021 Actuarial Report, such decrease in net OPEB liability is primarily due to the healthcare experience gain reflected in the 2021 Actuarial Report as there were no other significant adjustments in actuarial assumptions from the 2020 Actuarial Report. The 2021 Actuarial Report reflects updated financial information for fiscal year 2021-22 and is based on the census data, actuarial assumptions, and plan provisions used in the 2020 Actuarial Valuation with the following changes:

- Assets: $542,828,439 as of June 30, 2021 measurement date

- Municipal Bond Rate: 2.16% as of June 30, 2021, based on the *Bond Buyer* General Obligation Bond 20-Bond Municipal Bond Index
- Expected Long-Term Return on Assets: 7.00% as of June 30, 2021, based on District's revised expectations for certain asset allocations
- Discount Rate: 2.20% as of June 30, 2021, after reassessment based on updated assets and municipal bond rate as of June 30, 2021

Table A-15 below shows the impact of the changes to the actuarial assumptions in the 2021 Actuarial Report on the District's Net OPEB Liability for the fiscal year ending June 30, 2022 compared to fiscal year June 30, 2021 that was based on the 2020 Actuarial Valuation.

TABLE A-15

LOS ANGELES UNIFIED SCHOOL DISTRICT
NET OPEB LIABILITY
As of June 30, 2021 and June 30, 2022
($ in billions)

	Fiscal Year Ending June 30, 2021	Fiscal Year Ending June 30, 2022
(1) OPEB Liability		
(a) Retired Participants and Beneficiaries Receiving payment	$ 3.424	$3.019
(b) Active Participants	8.065	7.710
(c) Total	11.489	10.729
(2) Plan Fiduciary Net Position	0.426	0.543
(3) Net OPEB Liability	11.063	10.186
(4) Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	3.71%	5.06%
(5) Deferred Outflow of Resources for Contributions Made After Measurement Date	$0.231	TBD

Source: 2021 Actuarial Valuation.

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

For more information on the District's OPEB plan, OPEB liability and related assumptions for fiscal year ended June 30, 2021, see Note 9 to the audited financial statements of the District contained in APPENDIX B – "AUDITED ANNUAL FINANCIAL REPORT OF THE DISTRICT FOR FISCAL YEAR ENDED JUNE 30, 2021" attached hereto.

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 $1,000,000 per occurrence and the aggregate policy limit is $500 million. 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 $15 million in occurrence limits.

Excess property insurance is maintained through a combination of excess policies with an occurrence limit of $500 million. General liability insurance currently provides $30 million coverage above a $5 million self-insurance retention. The District expects to be reimbursed for settlements from its insurance carriers. The District maintains reserves at the level recommended by an independent actuarial analysis, which it believes are adequate to cover losses within the self-insured retention.

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

The District believes that the amounts currently reserved for potential liabilities attributable to claims of molestation, brain injury and sexual misconduct are adequate. See "– *Sexual Misconduct Cases*" 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 brain injury or sexual misconduct by former and suspended District employees exceed the amount reserved for settlements and monetary damages to date. See "– *Sexual Misconduct Cases*" herein. Such liabilities could decrease the District's net position as of June 30, 2022 from the amount set forth in the District's financial statements for fiscal year 2020-21. See APPENDIX B – "AUDITED ANNUAL FINANCIAL REPORT OF THE DISTRICT FOR FISCAL YEAR ENDED JUNE 30, 2021."

Liabilities for loss and loss adjustment expenses under each of the District's insurance programs include the accumulation of estimates for losses reported prior to the balance sheet date, estimates of losses incurred but not reported and estimates of expenses for investigating and adjusting reported and unreported losses. Such liabilities are estimates of the future expected settlements and are based upon analysis of historical patterns of the number of incurred claims and their values. The District believes that, given the inherent variability in any such estimates, the aggregate liabilities are within a reasonable range of adequacy. Individual reserves are continually monitored and reviewed, and, as settlements are made or reserves adjusted, differences are reflected in current operations. See APPENDIX B – "AUDITED ANNUAL FINANCIAL REPORT OF THE DISTRICT FOR FISCAL YEAR ENDED JUNE 30, 2021."

Workers' Compensation. The District is self-insured for its Workers' Compensation Program. A separate fund is used to account for amounts set aside to pay claims incurred and related expenditures under the Workers' Compensation Program. The amount to be deposited in the Workers' Compensation Fund is established with information from an independent actuary. The District maintains at a minimum the actuarially required deposit in its Workers' Compensation Fund in accordance with its policy. See "–

District Financial Policies and Related Practices – *Budget and Finance Policy* – Liability Reserves" herein. The District's "Actuarial Study of Workers' Compensation Program" as of December 31, 2020, recommended a minimum funding level of $119.77 million for fiscal year 2021-22. As of June 30, 2022, the total revenues in the District's Workers' Compensation Fund (operating revenues and nonoperating revenues) was $103.04 million (unaudited), which reflects a year-end accounting adjustment of $25.33 million to recognize the unrealized loss for the District's cash deposited in the County Treasury Pool. Without such accounting adjustment, the District's total revenues in the Workers' Compensation Fund exceed the actuarially determined minimum funding level.

Additionally, the District's actuarially determined total liability for the Workers' Compensation Program is fully funded in accordance with its policy. The District's most recent "Actuarial Study of Workers' Compensation Program" as of December 31, 2021 reflected total expected losses of $357.70 million (at a 2.5% interest rate) as of June 30, 2022 plus an additional amount of $25.75 million in estimated outstanding unallocated loss adjustment expenses (at a 2.5% interest rate) to create a total liability of $383.45 million as of June 30, 2022. The District has approximately $588.52 million (unaudited) in cash available in the Workers' Compensation Fund as of June 30, 2022, which exceeds the amount necessary to fund the District's actuarially determined liability.

The "Actuarial Study of Workers' Compensation Program" as of December 31, 2021, recommends a minimum funding level of $122.47 million for fiscal year 2022-23 and $120.05 million for fiscal year 2023-24. The following Table A-16 sets forth the actuary's recommended minimum funding levels for workers' compensation set forth in the actuarial report as of December 31, 2019, December 31, 2020, and the most recent actuarial report covering the period as of December 31, 2021.

TABLE A-16

LOS ANGELES UNIFIED SCHOOL DISTRICT
Recommended Minimum Funding Levels
Workers' Compensation
Fiscal Years 2020-21 through 2024-25
($ in millions)

Fiscal Year	Present Value of Projected Ultimate Losses (Discounted at 1.5%)	Budgeted Expenses for Claims Handling and Administration	Recommended Minimum Funding Level
2020-21	$101.15	$20.30	$121.45
2021-22	102.20	17.57	119.77
2022-23	104.64	17.83	122.47
2023-24	101.65	18.40	120.05
2024-25	102.45	19.00	121.45

Source: Los Angeles Unified School District Actuarial Study of Workers' Compensation Program as of December 31, 2019 for fiscal year 2020-21; Los Angeles Unified School District Actuarial Study of Workers' Compensation Program as of December 31, 2020 for fiscal year 2021-22; Los Angeles Unified School District Actuarial Study of Workers' Compensation Program as of December 31, 2021 for fiscal years 2022-23 thru 2024-25.

The following Table A-17 sets forth information on changes in the Workers Compensation Program's liabilities from fiscal years 2017-18 through 2021-22. The District uses separate funds to account for amounts set aside to pay claims incurred and related expenditures under the respective insurance programs. See "– District Financial Policies and Related Practices – *Budget and Finance Policy* – Liability Reserves" herein and Note 10 in the audited financial statements for fiscal year 2020-21 set forth in APPENDIX B – "AUDITED ANNUAL FINANCIAL REPORT OF THE DISTRICT FOR FISCAL YEAR ENDED JUNE 30, 2021."

TABLE A-17

LOS ANGELES UNIFIED SCHOOL DISTRICT
Workers' Compensation Claims Paid
Fiscal Years 2017-18 through 2021-22
($ in millions)

Fiscal Year	Liability: Beginning of fiscal year	Current Year Claims and Changes in Estimates	Claims Paid	Liability: End of fiscal year
2017-18	$495.6	$67.6	$(107.9)	$455.4
2018-19	455.4	85.1	(97.9)	442.7
2019-20	442.7	124.5	(87.2)	480.0
2020-21	480.0	3.1	(79.4)	403.6
2021-22[1]	403.6	52.4	(72.6)	383.4

[1] Unaudited.
Sources: Audited Annual Financial Report for fiscal years 2017-18 through 2020-21; Fiscal Year 2021-22 Unaudited Actuals.

Pollution Legal Liability Policy. The District purchased a pollution legal liability ("PLL") policy through Ironshore Insurance Company with coverage of $10.0 million per incident and $10.0 million in aggregate, effective April 17, 2019 to April 17, 2024. In March 2006, the District filed a lawsuit in Los Angeles County Superior Court against its former insurance carrier American International Group's ("AIG") companies alleging that AIG 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 was required to pay to the District $78.75 million from fiscal year 2011-12 through fiscal year 2021-22, all of which has been paid as of June 30, 2022.

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

Litigation Regarding Insurance Providers. In September 2015, the District filed a lawsuit entitled *Los Angeles Unified School District v. ACE et al.* (the "Miramonte Coverage Action"), in Los Angeles County Superior Court seeking more than $200 million in damages from twenty-seven of the District's current and former insurance providers who failed to fund the defense and reimburse the District for settlement amounts paid by the District in connection with claims by hundreds of students and parents alleging that negligent hiring, supervision, and retention of former teachers Mark Berndt and Martin Springer at Miramonte Elementary School resulted in sexual abuse of the students. In April 2017, the District filed a second lawsuit in Los Angeles County Superior Court entitled *Los Angeles Unified School District vs. AIU Insurance Company, et. al.* (the "Telfair Coverage Action"), seeking more than $40 million in damages from eight of the District's current and former insurance providers in connection with the lawsuits filed against the District alleging that negligence of its employees in hiring, retaining, and supervising Paul Chapel resulted in sexual abuse of approximately twenty students at Telfair Elementary School. In August 2017, the District filed a third lawsuit in Los Angeles County Superior Court entitled *Los Angeles Unified School District v. Allied World et al.* (the "De La Torre Coverage Action"), seeking more than $60 million in damages from seven of the District's current and former insurance providers who failed to fund the defense and reimburse the District for settlement amounts paid by the District in connection with claims by over twenty students and their parents alleging that negligent hiring, supervision, and retention of former teacher Robert Pimentel at De La Torre Elementary School resulted in sexual abuse of the students. The District has not been reimbursed by any of the defendants for amounts expended in conjunction with resolving the underlying sexual abuse litigation described in this section. While no insurer agreed to pay any of the District's defense costs before the coverage actions were filed, rulings obtained in the Miramonte Coverage Action have forced AIG to reimburse the District for over $21 million in defense costs. Further, the District has alleged that the insurance providers have not only breached their respective insurance obligations owed to the District in connection with underlying litigation, but also breached the implied covenant of good faith and fair dealing. The District and the insurers continue to discuss terms for a mediation of all three coverage cases. In 2021, following a bench trial, the court found that the insurer breached its duty to indemnify the District under one insurance policy at issue in the Miramonte Coverage Action for its settlements of the underlying claims.

On November 4, 2020, the District filed two new lawsuits against its insurers, *LAUSD v. Starr Indemnity & Liability Co., et al.* and *LAUSD v. Ins. Co. of the State of Pennsylvania, et al.*, in which it is seeking more than $25 million and $8 million, respectively, in settlement reimbursements plus defense costs relating to underlying litigation involving the alleged abuse of multiple students at Franklin High School and Cahuenga High School. 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 matters. In 2021, the District moved for summary adjudication to establish that the Insurance Company of State of Pennsylvania (an AIG Co.) had and breached its duty to defend the District under a 2002-2003 insurance policy, which the court denied. The District is considering its options with respect to additional motion practice and appellate review.

Wrongful Death Cases. In August 2014, the parents of a deceased Garfield High School student filed a lawsuit seeking unspecified damages, which alleged negligence and liability of the District and District personnel in the drowning and eventual death of their son while attending a school-sponsored, off-campus excursion at a County-operated park. The District and District personnel were dismissed from the case brought by plaintiffs following a successful motion for summary judgment. As the prevailing party, the District obtained a costs order against plaintiffs of $45,554.86, which the District Court affirmed after plaintiffs filed a motion to re-tax. The plaintiffs appealed the judgment in favor of the District to the Ninth Circuit, and on or about December 2021, the Ninth Circuit affirmed the District Court's judgment. Plaintiffs subsequently waived any further appellate rights in exchange for a waiver of costs. The plaintiffs entered into a $2.125 million settlement agreement with the County in November 2019. The County previously filed a cross-complaint against the District alleging the District's failure to honor an earlier indemnification agreement and subsequent obligation to reimburse the County for legal expenses and settlement costs. Through a combination of dispositive motions and settlements, the County's cross-complaint against the District and certain District employees has been dismissed with prejudice, and there will be no appeal of that outcome. The District paid no money to the County.

In March 2019, the parents of a deceased Dodson Middle School student filed a lawsuit seeking unspecified damages, which alleged insufficient supervision and life-saving measures were taken by District employees, leading to the collapse and eventual death of their son while running laps during a physical education class. The student's death was subsequently found to have been caused by a previously-undiagnosed congenital coronary artery defect. In May 2019, all parties filed a joint stipulation to strike a portion of the complaint and dismiss Dodson Middle School as a defendant because the school is not a legal entity separate from the District. On May 21, 2021, the District's motion for summary judgment was partially granted and partially denied. In March 2022, the District settled the lawsuit with plaintiffs for $9.5 million, prior to the commencement of trial.

In June 2020, the father of a deceased North Hollywood High School student filed a lawsuit in federal district court seeking unspecified damages, which alleged (1) negligence, (2) negligent supervision, hiring, and retention, (3) violation of 42 U.S.C.S. 12131, (4) violation of 29 U.S.C.S. 794, and (5) wrongful death, for the student's off-campus death by suicide in the after-school hours of February 7, 2019. In July 2021, the federal district court granted the District's motion for partial summary judgment and dismissed the federal causes of action. The district court declined to exercise supplemental jurisdiction and dismissed the case. On August 23, 2021, Plaintiff filed a lawsuit against the District and certain individual defendants in Los Angeles County Superior Court seeking unspecified damages, alleging (1) negligence, (2) negligent supervision, training, hiring, and retention, and (3) wrongful death. Plaintiff also claimed punitive damages against the individual defendants. After multiple demurrers, in September 2021, the Los Angeles County Superior Court sustained the District's demurrer to Plaintiff's Second Amended Complaint, with thirty days leave to amend. The court also granted the individual defendants' motion to strike the punitive damages claims with thirty days leave to amend. The Plaintiff filed a Third Amended Complaint in October 2022. The District is currently evaluating that pleading and its options for responding.

In August 2020, the mother of a Normandie Avenue Elementary School student filed a lawsuit seeking unspecified damages in excess of $1,000,000 against the District and others for the alleged wrongful death of her son on December 26, 2019, after he died from injuries sustained while at a District employee's home. The death was later ruled a homicide. The trial date was vacated by the court, and the matter is now set for a further case management conference in November 2022.

In April 2021, a parent of a deceased student from Animo Jefferson Charter Middle School, a charter school, filed a lawsuit seeking unspecified damages, which alleged dangerous conditions on public property and liability of the District in the death of her son while crossing an intersection that was two miles from her son's middle school. Plaintiff alleged that the School District created a dangerous condition by failing to employ crossing guards at the intersection, pursuant to the City of Los Angeles and the School District's "Safe Routes to School Program," which was adopted by the School District's Board of Education in September 2016. On or about November 2021, the plaintiff dismissed the lawsuit without prejudice, after the District provided a declaration stating that the District was not responsible for hiring crossing guards.

COVID-19 Distance Learning Lawsuits. On September 24, 2020, a class action lawsuit was filed on behalf of nine named plaintiffs in Los Angeles County Superior Court asserting that the District's instructional plan in response to the COVID-19 pandemic has denied plaintiffs' children their basic education rights under the California Constitution. The complaint alleges that the District's distance learning approach is inadequate in that it has allegedly reduced instructional and professional development time, eliminated student assessments, failed to provide adequate access to technology, and failed to reengage students who did not participate in online learning in the spring of 2020 after the closure of school facilities due to the COVID-19 pandemic. The operative first amended complaint asserts various causes of action for injunctive and declaratory relief, including claims for alleged violations of statutory and Constitutional rights and claims of discrimination and disparate treatment. On April 9, 2021, the District's motion to strike certain allegations in the complaint with respect to individualized education program services was granted, but its demurrer to the first amended complaint was overruled. After Plaintiffs filed a second amended complaint, the District filed another demurrer. On August 16, 2021, the

Court sustained the District's demurrer with leave to amend. The Court further struck Plaintiffs' claims seeking retrospective injunctive relief on a class wide basis. Plaintiffs were given 20 days to file an amended complaint. In September 2021, the Court dismissed the action in its entirety, with prejudice, and entered judgment in favor of the defendants, including the District. Plaintiffs subsequently filed a notice of appeal, and the appeal is pending before the Court of Appeal of California, Second Appellate District.

COVID-19 In-Person Instruction Lawsuits. In April 2021, three lawsuits were filed in Los Angeles Superior Court alleging that the District has violated state constitutional and statutory requirements by not reopening schools for in-person instruction to the greatest extent possible. By January 2022, all three of the lawsuits were dismissed without prejudice.

In June 2021, a lawsuit was filed in federal district court seeking injunctive relief to prohibit the District from implementing safety measures (e.g., COVID testing and masks among others) for students to access in-person instruction, which was subsequently dismissed without prejudice in November 2021.

COVID-19 Employee Vaccinations Lawsuit. On March 17, 2021, a group of seven District employees filed a lawsuit in the U.S. District Court for the Central District of California, seeking declaratory and injunctive relief against the District and certain District officials with respect to the District's alleged policy mandating that employees be administered COVID-19 vaccinations for which the United States Food and Drug Administration has granted Emergency Use Authorization. Although the District provided access to such vaccines for its employees, it had not mandated vaccinations at the time the lawsuit was filed. The District filed a motion to dismiss the lawsuit, which was granted by the court in July 2021.

On November 3, 2021, a group of six District employees together with a not-for-profit corporation, identified as the Health Freedom Defense Fund, filed a similar lawsuit to the one previously dismissed in the U.S. District Court for the Central District of California, seeking declaratory and injunctive relief against certain District officials with respect to the District's vaccination policy for employees. On September 12, 2022, the Court granted the District's motion for judgment on the pleadings as to plaintiffs' substantive due process cause of action and equal protection claim, with leave to amend. Rather than filing an amended pleading, plaintiffs appealed to the Ninth Circuit on October 4, 2022.

COVID-19 Student Vaccination Lawsuits. On October 8, 2021, the parent of a 12-year-old student at The Science Academy STEM Magnet filed a complaint seeking injunctive and declaratory relief and a petition for writ of mandate with respect to the District's student COVID-19 vaccination mandate. The complaint focuses on the lack of full FDA approval of the Pfizer vaccine for students between the ages of 12 and 15, and challenges the District's authority to issue the mandate. The complaint also alleges that independent study is not an effective substitute for in-person learning, and asserts various causes of action alleging breaches of statutes, regulations and rights under the California constitution. On July 5, 2022, the Superior Court granted the petition for writ of mandate and held that the District's student vaccination mandate was invalid as preempted by State law. Judgment was entered in favor of the plaintiff on September 13, 2022. The District subsequently settled the remaining claims in the case with plaintiff.

On October 13, 2021, two non-profit organizations purporting to represent groups of parents of children attending District schools filed a petition for writ of mandate and request for immediate stay with respect to the District's COVID-19 vaccination requirements for students. The petition alleges that the District lacked the authority to mandate students to be vaccinated for COVID-19, and seeks writs and orders vacating and setting site the District's mandate, and enjoining the enforcement thereof. On April 15, 2022, the Superior Court heard and granted the District's demurrer to several of the claims in the plaintiffs' first amended complaint, but permitted the plaintiffs to provide additional pleading of facts to support their complaint. The District subsequently filed a demurrer in response to the plaintiffs' second amended complaint. In light of the July 5, 2022 Superior Court order in the student vaccination lawsuit described in the previous paragraph, which was issued after the District's demurrer in this case, Plaintiffs' counsel filed a motion for summary adjudication citing the July 5, 2022 order.

Sexual Misconduct Cases. The District is occasionally subject to claims relating to the sexual misconduct of District personnel and other students. There are currently threatened and pending claims against the District brought on behalf of minor students as a result of alleged sexual misconduct by District personnel. The District is in various stages of litigation relating to such pending claims and cannot predict the outcome and effects of such claims or provide any assurances that such claims will not be successful. The damages requested by the plaintiffs in the various pending sexual misconduct cases are substantial, but vary significantly, in multiple instances there are demands for several million dollars. However, the District cannot predict any final award of damages or settlement amounts. The District also cannot predict the damages sought by any threatened litigation.

In the *Miramonte* sexual abuse litigation, involving Mark Berndt (who in 2013 pleaded no contest to 23 felony counts of lewd acts on children and was sentenced to 25 years in prison), in which there have previously been approximately $180 million in settlements with more than 200 plaintiffs, there are four active cases remaining with 27 plaintiffs. Of the four active cases, the earliest trial date is scheduled for September 2023. In May 2021, the District reached a settlement totaling $9 million with twelve student plaintiffs, who were part of the litigation related to *Jane Doe BT v. LAUSD*.

On May 11, 2020, a group of twenty-one plaintiffs filed a complaint against the District, Birmingham Community Charter High School ("BCCHS"), and Grace Brethren Church of Simi Valley alleging that they were sexually abused by Daniel Silva, their former lacrosse coach at BCCHS. In May 2019, following a jury trial, Silva was found guilty on twenty-five criminal counts, including sixteen counts of child molestation, six counts of child battery, two counts of lewd conduct upon a child, and one count of false imprisonment. Plaintiffs allege that students from District school Daniel Pearl Magnet High School were permitted to participate in sports team at the adjacent, independently operated BCCHS. The plaintiffs include one District student and the complaint includes an allegation that "numerous female students from [District school] Daniel Pearl participated on [BCCHS's] lacrosse team and were victimized by Silva." The District prevailed on summary judgement and obtained a judgment for costs.

In April, July, and August 2022, a total of 12 former students filed lawsuits against the District relating to sexual abuse by former teacher Robert Pimental, who was sentenced to 12 years in prison after pleading no contest to multiple charges of lewd acts on children at De La Torre Elementary School in 2014. These lawsuits involve the same alleged perpetrator as the previously-settled lawsuits addressed above in the section entitled "*Litigation Regarding Insurance Providers*." A tentative settlement has been reached in these matters, subject to approval by the District Board.

On May 13, 2022, eleven plaintiffs filed a complaint against the District alleging that they were inappropriately touched and sexually assaulted, abused, and harassed by their teacher during the 2013–2014 school year while attending 5th grade at 15th Street Elementary School. Plaintiffs allege that "such conduct took place in front of, and/or with the knowledge of other staff at 15th Street elementary and LAUSD." 15th Street's former principal is also named as a defendant. Although law enforcement investigated the allegations, no charges were filed against the teacher. The case is currently at the pleadings stage and Plaintiffs are seeking an unspecified amount of damages.

In three separate complaints filed in May 2022, former George Washington Carver Middle School male students alleged negligence, and negligent hiring retention and supervision allegedly arising from childhood sexual abuse by their English and homeroom teacher, Norbert Stuart Volk, at different time periods from the late 1960s to the early 1980s. Discovery is ongoing and the District is evaluating its next steps for responding to these lawsuits, particularly in light of the fact that key witnesses, including Mr. Volk, appear to be deceased.

Assembly Bill 218 and Related Claims. Pursuant to Assembly Bill 218 ("AB 218"), which became effective on January 1, 2020, certain changes were made to the claim prerequisites, available damages and the applicable statute of limitations periods for claims of childhood sexual assault, including claims against public entities like the District. AB 218 has impacted the District's liability exposure because it (1) extended the statute of limitations periods for claims of childhood sexual assault, (2) did away altogether with the Tort Claims Act's presentation requirements for claims involving childhood sexual assault under which many claims were found to be late, (3) revived certain claims for which applicable statute of limitations periods have otherwise already expired (if brought within three years of January 1, 2020), and (4) provided for treble damages against a defendant, including a local public entity, who is found to have covered up the sexual assault of a minor. Pursuant to AB 218, a plaintiff now has twenty-two years from the age of majority or five years after the plaintiff discovered or reasonably should have discovered psychological injury or illness occurring after the age of majority caused by the alleged childhood sexual assault to bring an action, with certain actions being barred from commencement after the plaintiff's fortieth birthday. With respect to claims that otherwise would have been barred as of January 1, 2020, AB 218 revived such claims for a period of three years, which period is set to expire on January 1, 2023. As a result of such revival, the District is experiencing and expects to continue to experience for the remainder of calendar year 2022, a significant influx of additional, previously time-barred childhood sexual assault lawsuits. Further, the District cannot predict whether there will be legislative action extending, or judicial action tolling, the statute of limitations under AB 218, especially in light of the emergency tolling rule implemented by State courts as a result of the COVID-19 pandemic.

The District has received and could receive additional complaints seeking declaratory, injunctive, and monetary relief, including treble damages, 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 prior claims of a similar nature and an independent third-party actuarial analysis.

Pursuant GASB Statement No. 56, the District's audited financial statements for fiscal year 2021-22 are subject to adjustment following such fiscal year end to reflect events that provide additional evidence with respect to conditions that existed at the date of the statement of net assets and affect the estimates inherent in the process of preparing such financial statements. Such recognized events include the settlement of litigation for an amount different from the liability recorded if the event for that gave rise to the litigation had taken place prior to the date of the statement of net assets. Pursuant GASB Statement No. 10, if a claim is asserted and the probable loss is reasonably estimable, the expenditure and liability should be recognized in the financial statements. Further, GASB Statement No. 10 provides that if an incurred but not reported loss can be reasonably estimated, and it is probable that a claim will be asserted, the expenditure and liability should be recognized.

Accordingly, as a result of AB 218, the District expects that subsequent to the Fiscal Year 2021-22 Unaudited Actuals, but prior to finalizing the District's audited financial statements for fiscal year 2021-22, there may be litigation matters that constitute recognized events and increase the District's liabilities for fiscal year 2021-22 because the loss is probable and can be reasonably estimated. At this time, the District is still assessing the extent of additional liability that will result from recognized events in connection with claims brought under AB 218. While the District may be able to access insurance coverage for a portion of some of the AB 218 litigation matters, the District expects it will bear the expenses and liabilities relating to AB 218 litigation matters. The District cannot predict whether any plaintiffs in any pending complaints will prevail, and if so, how any final court decision or settlement agreement with respect to any lawsuit may affect the financial status, policies or operations of the District, as the nature of any court's remedy and the responses thereto are unknown at the present time. The costs of any final court decision or settlement agreement could be substantial and materially greater than the amounts proposed under the pending settlement agreements. However, the District does not expect any decision or change in law to adversely affect the ability of the District to pay the principal of and interest on the Bonds as and when due.

District Debt

General Obligation Bonds. From July 1997 through March 2003, the District issued the entire amount of $2,400,000,000 general obligation bonds authorized pursuant to Proposition BB approved by voters on April 8, 1997 (the "Proposition BB Authorization"). From May 2003 to May 2010, the District issued the entire amount of $3,350,000,000 general obligation bonds pursuant to Measure K approved by voters on November 5, 2002 (the "Measure K Authorization"). From September 2004 through October 2021, the District issued the entire amount of $3,870,000,000 general obligation bonds pursuant to Measure R approved by voters on March 2, 2004 (the "Measure R Authorization"). From February 2006 through October 2021, the District issued the entire amount of $3,985,000,000 general obligation bonds pursuant to Measure Y approved by voters on November 8, 2005 (the "Measure Y Authorization").

A $7,000,000,000 general obligation bond authorization was approved by voters on November 4, 2008 (the "Measure Q Authorization"). Following the issuance of the Bonds, the District will have issued $3,750,955,000 of aggregate principal amount of Measure Q general obligation bonds, leaving $3,249,045,000 aggregate principal amount available under the Measure Q Authorization. A $7,000,000,000 general obligation bond authorization was approved by the voters on November 3, 2020 (the "Measure RR Authorization"). Following the issuance of the Bonds, the District will have issued $700,000,000 aggregate principal amount of Measure RR general obligation bonds, leaving $6,300,000,000 aggregate principal amount available under the Measure RR Authorization.

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

District's outside auditor, Simpson & Simpson, currently prepares the required bond audits regarding the expenditures of general obligation bond proceeds.

The members of the District's Citizens' Bond Oversight Committee and the community groups represented by such members are set forth in Table A-18 below.

TABLE A-18

LOS ANGELES UNIFIED SCHOOL DISTRICT
Citizens' Bond Oversight Committee
(As of October 1, 2022)

Member	Community Group Represented
Margaret Fuentes, Chair	LAUSD Student Parent
D. Michael Hamner, Vice-Chair	American Institute of Architects
Jennifer McDowell, Secretary	Los Angeles City Mayor's Office
Susan Linschoten, Executive Member	Los Angeles County Auditor-Controller's Office
Scott Pansky, Executive Member	Los Angeles Area Chamber of Commerce
Neelura Bell	California Charter School Association
Jeffrey Fischbach	California Tax Reform Association
Chris Hannan	Los Angeles County Federation of Labor AFL-CIO
Hyepin Im	Los Angeles City Controller's Office
Brian Mello	Associated General Contractors of California
Clarence Monteclaro	Tenth District Parent Teacher Student Association
William O. Ross IV	Thirty-First District Parent Teacher Student Association
Samantha Rowles	LAUSD Student Parent
Araceli Sandoval-Gonzalez	Early Education Coalition
Dolores Sobalvarro	American Association of Retired Persons
Celia Ayala	Early Education Coalition (Alternate)
Chad Boggio	Los Angeles County Federation of Labor AFL-CIO (Alternate)
Peggy Robertson	Associated General Contractors of California (Alternate)
Connie Yee	Los Angeles County Auditor-Controller's Office (Alternate)

The following Table A-19, Table A-20, Table A-21, Table A-22, Table A-23 and Table A-24 set forth the outstanding series of general obligation bonds and the amount outstanding as of October 1, 2022, under the Proposition BB, Measure K, Measure R, Measure Y, Measure Q, and Measure RR Authorizations, respectively. The tables below do not reflect the anticipated issuance of the Bonds. For more information, see "PLAN OF FINANCE" in the forepart of this Official Statement.

TABLE A-19

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

Bond Issue	Aggregate Principal Amount	Outstanding Amount as of October 1, 2022	Date of Issue
2011 Refunding Bonds, Series A-1[1]	$ 206,735	$ 27,435	November 1, 2011
2015 Refunding Bonds, Series A[1]	326,045	108,075	May 28, 2015
2016 Refunding Bonds, Series A[1]	202,420	121,420	April 5, 2016
2017 Refunding Bonds, Series A[1]	139,265	84,915	May 25, 2017
2021 Refunding Bonds, Series A[1]	25,785	25,290	April 29, 2021
TOTAL	$900,250	$367,135	

(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-20

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

Bond Issue	Aggregate Principal Amount	Outstanding Amount as of October 1, 2022	Date of Issue
Series KRY Bonds (2009) (Federally Taxable Build America Bonds)	$ 200,000	$ 200,000	October 15, 2009
2014 Refunding Bonds, Series B[1]	323,170	72,850	June 26, 2014
2016 Refunding Bonds, Series B[1]	227,535	224,920	September 15, 2016
2017 Refunding Bonds, Series A[1]	941,565	775,310	May 25, 2017
2019 Refunding Bonds, Series A[1]	153,285	127,065	May 29, 2019
2020 Refunding Bonds, Series A[1]	112,350	108,170	October 6, 2020
2021 Refunding Bonds, Series A[1]	6,430	4,570	April 29, 2021
2021 Refunding Bonds, Series B[1]	48,855	47,015	November 10, 2021
TOTAL	$2,013,190	$1,559,900	

(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-21

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

Bond Issue	Aggregate Principal Amount	Outstanding Amount as of October 1, 2022	Date of Issue
Series KRY Bonds (2009) (Federally Taxable Build America Bonds)	$ 363,005	$ 363,005	October 15, 2009
Series RY Bonds (2010) (Federally Taxable Build America Bonds)	477,630	477,630	March 4, 2010
2014 Refunding Bonds, Series C[(1)]	948,795	652,145	June 26, 2014
2016 Refunding Bonds, Series A[(1)]	56,475	29,265	April 5, 2016
2016 Refunding Bonds, Series B[(1)]	176,455	176,455	September 15, 2016
2019 Refunding Bonds, Series A[(1)]	349,350	281,985	May 29, 2019
Series RYQ Bonds (2020)	36,000	29,035	April 30, 2020
2020 Refunding Bonds, Series A[(1)]	113,150	103,330	October 6, 2020
Series RYRR (2021)	123,990	108,505	November 10, 2021
TOTAL	$2,644,850	$2,221,355	

(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-22

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

Bond Issue	Aggregate Principal Amount	Outstanding Amount as of October 1, 2022	Date of Issue
Series KRY Bonds (2009) (Federally Taxable Build America Bonds)	$ 806,795	$ 806,795	October 15, 2009
Series H Bonds (2009) (Qualified School Construction Bonds)	318,800	318,800[(2)]	October 15, 2009
Series RY Bonds (2010) (Federally Taxable Build America Bonds)	772,955	772,955	March 4, 2010
Series J Bonds (2010) (Qualified School Construction Bonds)	290,195	290,195[(3)]	May 6, 2010
2014 Refunding Bonds, Series D[(1)]	153,385	80,420	June 26, 2014
2016 Refunding Bonds, Series A[(1)]	92,465	57,135	April 5, 2016
2016 Refunding Bonds, Series B[(1)]	96,865	96,865	September 15, 2016
Series M-1 Bonds (2018)	117,005	105,025	March 8, 2018
2019 Refunding Bonds, Series A[(1)]	91,970	76,290	May 29, 2019
Series RYQ Bonds (2020)	182,000	146,795	April 30, 2020
2020 Refunding Bonds, Series A[(1)]	76,500	74,215	October 6, 2020
Series RYRR (2021)	70,150	61,390	November 10, 2021
TOTAL	$3,069,085	$2,886,880	

(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.
(2) Includes the set-aside deposits totaling $69.760 million for fiscal years 2019-20 and 2020-21.
(3) Includes the set-aside deposits totaling $85.110 million for fiscal years 2018-19 through 2020-21.
Source: Los Angeles Unified School District.

TABLE A-23

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

Bond Issue	Aggregate Principal Amount	Outstanding Amount as of October 1, 2022	Date of Issue
Series A Bonds (2016)	$ 648,955	$ 340,420	April 5, 2016
Series B-1 Bonds (2018)	1,085,440	979,365	March 8, 2018
Series RYQ Bonds (2020)	724,940	584,705	April 30, 2020
Series C Bonds (2020)	1,057,060	874,660	November 10, 2020
2021 Refunding Bonds, Series A[(1)]	164,095	160,360	April 29, 2021
TOTAL	$3,680,490	$2,939,510	

(1) Refunding bonds issued to refund general obligation bonds, which were issued pursuant to the Measure Q Authorization, are not counted against Measure Q Authorization of $7.00 billion.
Source: Los Angeles Unified School District.

TABLE A-24

LOS ANGELES UNIFIED SCHOOL DISTRICT
Measure RR (Election of 2020) Bonds
($ in thousands)

Bond Issue	Aggregate Principal Amount	Outstanding Amount as of October 1, 2022	Date of Issue
Series RYRR (2021)	$300,000	$262,530	November 10, 2021
TOTAL	$300,000	$262,530	

Source: Los Angeles Unified School District.

Certificates of Participation. As of October 1, 2022, the District has outstanding lease obligations in the form of COPs in the aggregate principal amount of approximately $97.87 million. The District estimates that the aggregate payment of principal and interest evidenced by COPs will be approximately $117.6 million until the final maturity thereof. The District's lease obligations are not subject to acceleration in the event of a default thereof. The following Table A-25 sets forth the District's lease obligations paid from the District General Fund with respect to its outstanding COPs as of October 1, 2022, and reflects the execution and delivery of the Lease Agreement, dated as of August 1, 2022, by and between the District and the LAUSD Administration Building Finance Corporation, which was assigned to Webster Bank, National Association pursuant to an Assignment Agreement, dated as of August 1, 2022, by and between the LAUSD Administration Building Finance Corporation and Webster Bank, National Association (collectively, the "2022 Lease Financing") and the related prepayment of the Los Angeles Unified School District Certificates of Participation 2012 Series A (Headquarters Buildings Projects) and the Los Angeles Unified School District Refunding Certificates of Participation 2012 Series B (Headquarters Building Projects) (collectively, the "Prior Certificates"). See " – Future Financings – *Lease Financings*" for more information.

TABLE A-25

LOS ANGELES UNIFIED SCHOOL DISTRICT
Certificates of Participation Lease Obligations Debt Service Schedule[(1)]
(as of October 1, 2022)
($ in thousands)

Fiscal Year Ending (June 30)	Paid From General Fund[(2)(3)]
2023[(4)]	$ 4,711
2024	13,771
2025	13,770
2026	13,759
2027	13,759
2028	13,763
2029	13,752
2030	12,004
2031	12,002
2032	1,595
2033	1,590
2034	1,586
2035	1,578
Total[(3)]	$117,639

(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) Total may not equal sum of component parts due to rounding.
(4) Only reflects remaining debt service for fiscal year ending June 30, 2023 as of October 1, 2022. Total debt service for fiscal year ending June 30, 2023 is $14.898 million.
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"). 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, 2022 was reduced by 5.7%. During the federal fiscal year ending September 30, 2022, the sequester resulted in a reduction in the aggregate amount of approximately $4.2 million with respect to the refundable credits for the Series KRY Bonds (2009), Series RY Bonds (2010) and Series J Bonds.

Congress can terminate, extend or otherwise modify reductions in federal subsidy payments on Direct Pay Bonds due to sequestration at any time. Absent action by Congress before the end of calendar year 2022, the federal subsidy with respect to the Direct Pay Bonds may be eliminated. The District cannot predict what action, if any, that Congress may take with respect to the federal subsidy and its impact on the District's Direct Pay Bonds in federal fiscal year ending September 30, 2023 or future federal fiscal years. However, 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 regardless of the amount of federal subsidy.

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 not issue general obligation bonds under the Measure Q Authorization, or the Measure RR Authorization, as applicable, if the tax rate levied to meet the debt service requirements under the related Authorization for general obligation bonds is projected to exceed $60 per year per $100,000 of taxable property in accordance with Article XIIIA of the State Constitution. See "CALIFORNIA CONSTITUTIONAL AND STATUTORY PROVISIONS RELATING TO *AD VALOREM* PROPERTY TAXES, DISTRICT REVENUES AND APPROPRIATIONS – Article XIIIA of the State Constitution" and "– Proposition 39" herein.

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. The taxable property valuation in the District for fiscal year 2022-23 is approximately $877.63 billion, which results in a total current bonding capacity of approximately $21.94 billion. The District's available capacity for the issuance of new general obligation bonds is approximately $11.70 billion (taking into account current outstanding debt before the issuance of the Bonds). The fiscal year 2022-23 assessed valuation of property within the District's boundaries of approximately $877.63 billion reflects an increase of 7.24% from fiscal year 2021-22. See "SECURITY AND SOURCE OF PAYMENT FOR THE BONDS – Assessed Valuation of Property Within the District" in the forepart of this Official Statement and "CALIFORNIA CONSTITUTIONAL AND STATUTORY PROVISIONS RELATING TO *AD VALOREM* PROPERTY TAXES, DISTRICT REVENUES AND APPROPRIATIONS – Article XIIIA of the State Constitution" herein.

Following the issuance of the Bonds, the District will have $3,249,045,000 authorized and unissued general obligation bond authorization remaining under the Measure Q Authorization. Following the issuance of the Bonds, the District will have $6,300,000,000 authorized and unissued general obligation bond authorization remaining under the Measure RR Authorization. The District may issue additional general obligation bonds or general obligation refunding bonds in the future depending upon project needs and market conditions.

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

Lease 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. See "– District Financial Policies and Related Practices – *Debt Management Policy*" herein. For more information on the prepayment of the Prior Certificates and 2022 Lease Financing, see "District Debt – Certificates of Participation" above.

Tax and Revenue Anticipation Notes. The District did not issue tax and revenue anticipation notes in fiscal year 2021-22 and does not expect to issue tax and revenue anticipation notes in fiscal year 2022-23. However, the District may issue tax and revenue anticipation notes in future fiscal years depending on State and federal funding, deferrals, and the ongoing impacts of the COVID-19 pandemic.

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

Constitutionally Required Funding of Education

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

Article XIIIA of the State Constitution

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

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

Legislation Implementing Article XIIIA

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

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

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

Article XIIIB of the State Constitution

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

The 2022-23 State Budget projects that the State will be below its appropriations limit (also referred to as the Gann Limit) for fiscal year 2022-23, based in part on statutory changes enacted as part of the 2022-23 State Budget that more accurately account for selected expenditures under both State and local limits and revised the level of excluded spending. For more information on the Gann Limit under the 2022-23 State Budget, see "STATE FUNDING OF SCHOOL DISTRICTS – State Budget Act – *2022-23 State Budget*" herein.

The District Board adopted the annual appropriation limit for fiscal year 2022-23 of approximately $3.7 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 2021-22, the appropriations subject to limitation totaled approximately $3.5 billion.

Article XIIIC and Article XIIID of the State Constitution

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

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

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

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

Proposition 98

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

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

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

The 2022-23 State Budget projects increased Proposition 98 funding, resulting in funding estimates of $96.1 billion in fiscal year 2020-21, $110.2 billion in fiscal year 2021-22, and $110.4 billion in fiscal year 2022-23, due to a significant increase in projected revenues for fiscal years 2020-21 through 2022-23. Such funding represents a historically high three-year increase in the minimum guarantee of roughly $35.8 billion over the level funded in the fiscal year 2021-22 State budget. Per-pupil funding is at the highest levels for school districts in California's history, totaling $16,993 per pupil in Proposition 98 funding and $22,893 per pupil when accounting for all funding sources. For more information on the Proposition 98 funding under the 2022-23 State Budget, see "STATE FUNDING OF SCHOOL DISTRICTS – State Budget Act –*2022-23 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, Measure Q, and Measure RR bond programs were authorized pursuant to Proposition 39. See "DISTRICT FINANCIAL INFORMATION – District Debt – *General Obligation Bonds*" herein. The District is in full compliance with all Proposition 39 requirements.

Proposition 1A

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

Proposition 22

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

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

Proposition 30

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

Pursuant to Proposition 30, the State included revenues from the temporary tax increases in the general fund calculation of the Proposition 98 minimum guarantee for education spending. The State deposited a portion of the new general fund revenues into an Education Protection Account established to support funding for schools and community colleges. The remainder of the new general fund revenues was available to help the State balance its budget through fiscal year 2017-18. However, the allocation of such revenues to particular programs was 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 required 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 excluded sales tax revenues that are redirected to local governments from the calculation of the Proposition 98 minimum guarantee for schools and community colleges.

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

Proposition 2

General. Proposition 2, which included certain constitutional amendments to the State Rainy Day Fund and, upon its approval, triggered the implementation of certain provisions which could limit the amount of reserves that may be maintained by a school district, was approved by the voters in the November 2014 election.

State Rainy Day Fund. The Proposition 2 constitutional amendments related to the State Rainy Day Fund (i) require deposits into the State Rainy Day Fund whenever capital gains revenues rise to more than 8% of general fund tax revenues; (ii) set the maximum size of the State Rainy Day Fund at 10% of general fund revenues; (iii) for the next 15 years, require half of each year's deposit to be used for supplemental payments to pay down the budgetary debts or other long-term liabilities and, thereafter, require at least half of each year's deposit to be saved and the remainder used for supplemental debt payments or savings; (iv) allow the withdrawal of funds only for a disaster or if spending remains at or below the highest level of spending from the past three years; (v) require the State to provide a multiyear budget forecast; and (vi) create a Proposition 98 reserve (the "Public School System Stabilization Account") to set aside funds in good years to minimize future cuts and smooth school spending. The State may deposit amounts into such account only after it has paid all amounts owing to school districts relating to the Proposition 98 maintenance factor for fiscal years prior to fiscal year 2014-15. The State, in addition, may not transfer funds to the Public School System Stabilization Account unless the State is in a Test 1 year under Proposition 98 or in any year in which a maintenance factor is created. For more information on limitations on school district reserves and the District's commitment of funds in fiscal year 2022-23, see "STATE FUNDING OF SCHOOL DISTRICTS – Limitations on School District Reserves."

SB 858. Senate Bill 858 ("SB 858") became effective upon the passage of Proposition 2. SB 858 includes provisions which could limit the amount of reserves that may be maintained by a school district in certain circumstances. Under SB 858, in any fiscal year immediately following a fiscal year in which the State has made a transfer into the Public School System Stabilization Account, any adopted or revised budget by a school district would need to contain a combined unassigned and assigned ending fund balance that (a) for school districts with an ADA of less than 400,000, is not more than two times the amount of the reserve for economic uncertainties mandated by the Education Code, or (b) for school districts with an ADA that is more than 400,000, is not more than three times the amount of the reserve for economic uncertainties mandated by the Education Code. In certain cases, the county superintendent of schools may grant a school district a waiver from this limitation on reserves for up to two consecutive years within a three-year period if there are certain extraordinary fiscal circumstances.

SB 751. Senate Bill 751 ("SB 751"), enacted on October 11, 2017, alters the reserve requirements imposed by SB 858. Under SB 751, in a fiscal year immediately after a fiscal year in which the amount of moneys in the Public School System Stabilization Account is equal to or exceeds 3% of the combined total general fund revenues appropriated for school districts and allocated local proceeds of taxes for that fiscal year, a school district budget that is adopted or revised cannot have an assigned or unassigned ending fund balance that exceeds 10% of those funds. SB 751 excludes from the requirements of those provisions basic aid school districts (also known as community funded districts) and small school districts having fewer than 2,501 units of average daily attendance.

The District, which has an ADA between 30,001 and 400,000 students, is required to maintain a reserve for economic uncertainty in an amount equal to 2.00% of its general fund expenditures and other financing uses. The District's assigned and unassigned ending General Fund balance for fiscal year 2022-23 does not exceed 10% of the total General Fund expenditures and other financing uses. Thus, the District complies with the limitations on reserves. For more information on limitations on school district reserves and the District's commitment of funds in fiscal year 2022-23, see "STATE FUNDING OF SCHOOL DISTRICTS – Limitations on School District Reserves."

The Bonds are payable from *ad valorem* taxes to be levied within the District pursuant to the California Constitution and other State law. Accordingly, the District does not expect SB 858 or SB 751 to adversely affect its ability to pay the principal of and interest on the Bonds as and when due.

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 October 1, 2022, the District has received approximately $949.87 million in funds attributable to Proposition 47.

Proposition 55 (2004). The Kindergarten-University Public Education Facilities Bond Act of 2004 appeared on the March 2, 2004 ballot as Proposition 55 ("Proposition 55 (2004)") and was approved by State voters. Proposition 55 (2004) authorizes the sale and issuance of $12.3 billion in general obligation bonds by the State to fund construction and renovation of public K-12 school facilities ($10 billion) and public higher education facilities ($2.3 billion). Proposition 55 (2004) includes

$5.26 billion for the acquisition of land and construction of new school buildings. Under Proposition 55 (2004), a school district is required to provide a 50% matching share for new construction or a 60% matching share for modernization projects with local resources unless it qualifies for state hardship funding. Proposition 55 (2004) also allocates up to $300 million of new construction funds for charter school facilities.

Proposition 55 (2004) makes $2.25 billion available for the reconstruction or modernization of existing public school facilities. School districts would be required to pay 40% of project costs from local resources. Proposition 55 (2004) directs a total of $2.44 billion to school districts with schools which are considered critically overcrowded. These funds would go to schools that have a large number of pupils relative to the size of the school site. Proposition 55 (2004) also makes a total of $50 million available to fund joint-use projects. Proposition 55 (2004) includes $2.3 billion to construct new buildings and related infrastructure, alter existing buildings and purchase equipment for use in these buildings for the State's public higher education systems. The measure allocates $690 million to the University of California and California State University and $920 million to community colleges in the State. The Governor and the State Legislature select specific projects to be funded by the bond proceeds. As of October 1, 2022, the District has received 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 the State'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 October 1, 2022, the District has received approximately $819.14 million in funds attributable to Proposition 1D.

Proposition 51. The Kindergarten Through Community College Public Education Facilities Bond Act of 2016 was approved by State voters at the November 8, 2016 ballot as Proposition 51 ("Proposition 51"). Proposition 51 authorizes the sale and issuance of $9 billion in general obligation bonds by the State to fund new construction of school facilities ($3 billion), school facilities for charter schools ($500 million), modernization of school facilities ($3 billion), facilities for career technical education programs ($500 million), and acquisition, construction, renovation, and equipping of community college facilities ($2 billion). Proceeds of bonds issued by the State for K-12 under Proposition 51 are required to be deposited in the 2016 State School Facilities Fund established in the State Treasury under the Greene Act and allocated by the State Allocation Board. As of October 1, 2022, the District has received approximately $345.91 million in funds attributable to Proposition 51.

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 (the "City") and the County of Los Angeles (the "County"). The historical data and results presented in the tables that follow may differ materially from future results as a result of economic or other factors.

The Bonds are general obligations of the District secured by and payable from *ad valorem* property taxes levied within the District. The Bonds are not general obligations of the City or the County.

Population

The following Table A-26 sets forth the estimates of the population of the City, the County and the State in calendar years 2018 through 2022.

TABLE A-26

POPULATION ESTIMATES
2018 through 2022

Year (as of January 1)	City of Los Angeles	County of Los Angeles	State of California
2018	3,996,298	10,192,593	39,519,535
2019	3,986,031	10,163,139	39,605,361
2020	3,975,234	10,135,614	39,648,938
2021	3,853,323	9,931,338	39,303,157
2022	3,819,538	9,861,224	39,185,605

Source: Department of Finance Demographic Research Unit.

Income

The following Table A-27 sets forth the median household income for the City, the County, the State and the United States for calendar years 2017 through 2021.

TABLE A-27

MEDIAN HOUSEHOLD INCOME[(1)]
2017 through 2021

Year	City of Los Angeles	County of Los Angeles	State of California	United States
2017	$60,197	$65,006	$71,513	$61,423
2018	62,474	68,093	75,277	61,937
2019	67,418	72,797	80,440	65,712
2020	65,290	71,358	78,672	64,994
2021	70,372	77,456	84,907	69,717

(1) Estimated. In inflation-adjusted dollars.
Source: U.S. Census Bureau – Economic Characteristics – American Community Survey.

The following Table A-28 sets forth the distribution of income by certain income groupings per household for the City, the County, the State and the United States for calendar year 2021.

TABLE A-28

INCOME GROUPINGS 2021[(1)]
(Percent of Households)

Income Per Household	City of Los Angeles	County of Los Angeles	State of California	United States
$24,999 & Under	20.7%	17.7%	14.8%	17.4%
$25,000-49,999	17.3	16.2	15.2	19.1
$50,000 & Over	62.1	66.2	70.0	63.6

(1) Estimated. In inflation-adjusted dollars. Data may not add up due to rounding.
Source: U.S. Census Bureau – Economic Characteristics – American Community Survey.

Employment

The District is within the Los Angeles-Long Beach Primary Metropolitan Statistical Area Labor Market (Los Angeles County). The following Table A-29 sets forth wage and salary employment in the County from calendar years 2017 through 2021.

TABLE A-29

LABOR FORCE AND EMPLOYMENT IN THE COUNTY OF LOS ANGELES[(1)]
2017 through 2021

	2017	2018	2019	2020	2021
Civilian Labor Force	5,109,800	5,121,300	5,153,100	4,968,900	4,994,100
Employment	4,864,100	4,885,300	4,926,100	4,355,900	4,548,900
Unemployment	245,700	235,900	227,000	613,000	445,200
Unemployment Rate	4.8%	4.6%	4.4%	12.3%	8.9%
Wage and Salary Employment					
Farm	5,700	4,600	4,400	4,400	4,600
Mining and Logging	2,000	1,900	1,900	1,700	1,600
Construction	138,700	146,300	149,800	146,500	149,800
Manufacturing	350,400	342,600	340,700	315,100	311,700
Trade, Transportation and Utilities	845,600	851,400	851,000	788,000	817,600
Information	214,000	214,700	215,300	191,000	213,200
Financial Activities	221,600	223,200	223,600	212,600	210,800
Professional and Business Services	613,200	632,300	647,000	599,800	629,500
Educational and Health Services	797,400	817,900	839,900	820,300	839,600
Leisure and Hospitality	524,600	536,500	547,200	393,500	429,300
Other Services	155,700	158,800	158,400	128,700	134,100
Government	586,100	590,600	586,900	570,200	558,200
Total[(1)]	4,455,000	4,520,700	4,566,100	4,171,700	4,300,000

(1) Totals may not equal sum of component parts due to rounding.
Source: California Employment Development Department, Labor Market Information Division.

The following Table A-30 sets forth taxable sales in the County for the calendar years 2018 through 2022.

TABLE A-30

COUNTY OF LOS ANGELES
TAXABLE TRANSACTIONS[1]
2018 through 2022
($ in thousands)

Type of Business	2018	2019	2020	2021	2022[2]
Motor Vehicle and Parts Dealers	$ 18,935,861	$ 18,954,470	$ 18,534,326	$ 23,555,049	$ 12,859,486
Home Furnishings and Appliance Stores	7,536,953	7,308,501	6,608,482	8,177,309	3,837,838
Building Materials and Garden Equipment and Supplies Dealers	8,446,279	8,698,495	9,556,946	10,450,185	5,548,561
Food and Beverage Stores	7,106,527	7,255,360	7,650,294	7,861,401	3,852,438
Gasoline Stations	12,553,326	12,491,790	8,132,307	12,405,237	8,085,029
Clothing and Clothing Accessories Stores	12,258,410	12,536,982	9,498,705	13,957,944	6,748,867
General Merchandise Stores	12,583,909	12,910,844	12,263,784	14,541,309	6,948,295
Food Services and Drinking Places	24,016,431	25,097,944	17,006,158	23,577,050	13,511,556
Other Retail Group	15,707,358	17,190,290	24,164,972	24,407,441	12,034,110
Total Retail and Food Services	$119,145,054	$122,444,678	$113,415,974	$138,932,925	$73,426,179
All Other Outlets	$ 46,878,742	$ 49,868,925	$ 44,322,010	$53,340,253	$30,635,995
TOTAL ALL OUTLETS	$166,023,796	$172,313,603	$157,737,984	$192,273,178	$104,062,174

(1) Totals may not equal sum of component parts due to rounding.
(2) Values reflect second quarter of 2022.
Source: California Department of Tax and Fee Administration, Taxable Sales in California.

Leading County Employers

The economic base of the County is diverse with no one sector being dominant. Some of the leading activities include government (including education), business/professional management services (including engineering), health services (including training and research), tourism, distribution, and entertainment. The following Table A-31 sets forth the major employers in the County for fiscal year 2021-22.

TABLE A-31

COUNTY OF LOS ANGELES
MAJOR EMPLOYERS[(1)]
2022

Employer	Product/Service	Employees
Los Angeles County	Government	100,729
Los Angeles Unified School District	Education	73,805
U.S. Government – Federal Executive Board	Government	50,000
University of California, Los Angeles	Education	48,743
Kaiser Permanente Southern California	Nonprofit health plan	40,303
City of Los Angeles	Government	33,562
State of California	Government	32,300
University of Southern California	Private university	22,735
Northrop Grumman Corp.	Systems and products in aerospace, electronics and information systems	18,000
Cedars-Sinai	Health system	16,659
Target Corp.	Retailer	15,888
Allied Universal	Provider of security services and technology solutions	15,326
Providence	Health care	14,935
Ralphs/Food 4 Less (Kroger Co. division)	Grocery retailer	14,000
Walmart Inc.	Retailer	14,000
Walt Disney Co.	Media and entertainment	12,200
Boeing Co.	Aerospace and defense, commercial jetliners, space and security systems	12,005
Long Beach Unified School District	Education	12,000
Los Angeles County Metropolitan Transportation Authority	Transportation	11,700
UPS	Logistics, transportation and freight	11,643
Los Angeles Community College District	Education	11,618
Home Depot	Home improvement retailer	11,200
Los Angeles Department of Water & Power	Energy	11,000
NBCUniversal	Media and entertainment	11,000
AT&T Inc.	Telecommunications, DirecTV, cable, satellite and television provider	10,500
Albertsons Cos.	Retail grocer	10,406
California Institute of Technology	Private university, operator of Jet Propulsion Laboratory	8,830
Cal State Long Beach	Education	8,477
Edison International	Electric utility, energy services	7,672
City of Hope	Treatment and research center for cancer, diabetes and other life-threatening diseases	7,404
ABM Industries Inc.	Facility services, energy solutions, commercial cleaning, maintenance and repair	7,400
FedEx Corp.	Shipping and logistics	6,750
Children's Hospital Los Angeles	Nonprofit freestanding children’s hospital	6,644
City of Long Beach	Government	6,300
Dignity Health	Health care	6,263
Costco Wholesale	Membership chain of warehouse stores	6,002
Space Exploration Technologies Corp.	Rockets and spacecraft	6,000
Raytheon Intelligence and Space	Advanced sensors, training, cyber and software solutions	5,707
Amgen Inc.	Biotechnology	5,578
SoCalGas	Natural gas utility	5,200

---

(1) This information was provided by representatives of the employers themselves and annual budget reports. Government agencies and companies are ranked by the current number of full-time employees in the County. Several organizations and companies may have qualified for this list, but failed to submit information or do not break out local employment data.

Source: “Public-Sector Employers” and “Private Sector Employers,” Los Angeles Business Journal, August 22, 2022.

Construction

The following Table A-32 sets forth the valuation of permits for new residential buildings and the number of new single-family and multi-family dwelling units in the City for the years 2018 through 2022.

TABLE A-32

CITY OF LOS ANGELES
PERMIT VALUATIONS AND UNITS OF CONSTRUCTION[(1)]
2018 through 2022
($ in thousands)

Year	New Residential Valuation	New Single Family Dwelling Units	New Multi-Family Dwelling Units	Total New Units
2018	$4,655,644	2,792	13,915	16,707
2019	3,726,652	2,623	11,291	13,914
2020	3,235,640	1,887	10,448	12,335
2021	3,013,650	2,469	11,667	14,136
2022[(2)]	2,421,615	2,075	8,032	10,107

(1) Total may not equal sum of component parts due to rounding.
(2) Values reflect August of 2022.
Source: California Homebuilding Foundation | Construction Industry Research Board.

The following Table A-33 sets forth the lending activity, home prices and sales, recorded notices of default, unsold new housing and vacancy rates of properties within the County from 2018 through 2022.

TABLE A-33

COUNTY OF LOS ANGELES
REAL ESTATE AND CONSTRUCTION INDICATORS
2018 through 2022

Indicator	2018	2019	2020	2021	2022[(3)]
Construction Lending[(1)]	$20,419	$14,193	$9,247	$11,038	$5,583
Residential Purchase Lending[(1)]	$48,203	$56,480	$72,996	$96,872	$38,879
New & Existing Median Home Prices	$598,387	$614,080	$674,964	$777,767	$844,008[(2)]
New & Existing Home Sales	75,086	73,548	71,479	90,259	38,471
Notices of Default Recorded	9,726	9,821	4,858	3,566	3,434
Office Market Vacancy Rates[(2)]	14.4%	13.9%	14.9%	18.5%	19.5%
Industrial Market Vacancy Rates[(2)]	1.4%	1.2%	1.8%	1.2%	0.9%

(1) Dollars in millions.
(2) Average of quarterly data.
(3) Values reflect second quarter of 2022.
Source: Real Estate Research Council of Southern California – Second Quarter 2022 (2018-2022).

The following Table A-34 sets forth information with respect to building permits and building valuations in the County from 2018 through 2022.

TABLE A-34

COUNTY OF LOS ANGELES
BUILDING PERMITS AND VALUATIONS(1)
2018 through 2022

	2018	2019	2020	2021	2022(2)
Residential Building Permits (Units)					
New Residential Permits					
Single Family	6,070	5,738	6,198	7,327	5,566
Multi-Family	17,152	15,884	14,056	16,718	12,212
Total Residential Building Permits	23,222	21,622	20,254	24,045	17,778
Building Valuations ($ in millions)					
Residential Building Valuations					
Single Family	$2,277	$1,967	$1,874	$2,086	$1,484
Multi-Family	3,223	2,961	2,790	3,027	2,262
Alterations and Additions	1,941	1,626	1,014	908	944
Residential Building Valuations Subtotal	$7,441	$6,554	$5,678	$6,021	$4,690
Non-Residential Building Valuations					
New Industrial Buildings	$ 101	$ 64	$ 32	$ 28	$ 6
Office Buildings	500	475	242	162	47
Store & Other Mercantile	817	1,338	897	170	694
Hotels and Motels	203	203	232	53	23
Industrial Buildings	101	64	32	28	6
Alterations and Additions	2,796	3,404	1,241	946	1,759
Amusement and Recreation	853	32	2	38	2
Parking Garages	320	231	103	0	31
Service Stations and Repair Garages	2	1	72	1	6
Other	1,102	840	691	466	429
Non-Residential Building Valuations Subtotal	$6,694	$6,590	$3,513	$1,863	$2,999
Total Building Valuations	$14,135	$13,144	$9,191	$7,884	$7,689

(1) Totals may not equal sum of component parts due to rounding.
(2) Values reflect August of 2022.
Sources: California Homebuilding Foundation | Construction Industry Research Board.

GLOSSARY OF CERTAIN TERMS AND ABBREVIATIONS

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

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

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

"CAFR" means comprehensive annual financial report.

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

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

"CARES Act" means Coronavirus Aid, Relief and Economic Security Act.

"CDE" means the California Department of Education.

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

"Common Core" means Common Core State Standards.

"COPS" means certificates of participation.

"COVID-19" means Coronavirus Disease 2019.

"CSEA" means California School Employees Association.

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

"FRPM" means free or reduced-price meal.

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

"ISMP" means the Information Security Management Program.

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

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

"LASPA" means the Los Angeles Sheriff's Professional Association.

"LASPMA" means the Los Angeles School Police Management Association.

"LCAP" means the Local Control and Accountability Plan.

"LCFF" means the Local Control Funding Formula.

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

"LI" means students classified as foster youth.

"OCIP" means owner controlled insurance program.

"OPEB" means Other Post-Employment Benefits.

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

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

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

"PERB" means the Public Employee Relations Board.

"PLL" means pollution legal liability.

"SEIU" means Service Employees International Union.

"SUP" means School Upgrade Program.

"UAAL" means unfunded actuarial accrued liability.

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

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APPENDIX B

AUDITED ANNUAL FINANCIAL REPORT OF THE DISTRICT
FOR FISCAL YEAR ENDED JUNE 30, 2021

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Los Angeles Unified School District

Audited Annual

FINANCIAL REPORT

For Fiscal Year Ended June 30, 2021




2020-21

Los Angeles, California

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LOS ANGELES UNIFIED SCHOOL DISTRICT
LOS ANGELES, CALIFORNIA

AUDITED ANNUAL FINANCIAL REPORT
FISCAL YEAR ENDED JUNE 30, 2021

MS. MEGAN K. REILLY
INTERIM SUPERINTENDENT OF SCHOOLS
(EFFECTIVE JULY 1, 2021)

MR. AUSTIN BEUTNER
SUPERINTENDENT OF SCHOOLS
(MAY 1, 2018 – JUNE 30, 2021)

MR. PEDRO SALCIDO
INTERIM DEPUTY SUPERINTENDENT, BUSINESS SERVICES & OPERATIONS
(EFFECTIVE JULY 1, 2021)

MR. DAVID D. HART
CHIEF FINANCIAL OFFICER

MR. V. LUIS BUENDIA
DEPUTY CHIEF FINANCIAL OFFICER

MS. JOY MAYOR
CONTROLLER

PREPARED BY
ACCOUNTING AND DISBURSEMENTS DIVISION

333 S. BEAUDRY AVENUE
LOS ANGELES, CALIFORNIA 90017

LOS ANGELES UNIFIED SCHOOL DISTRICT
Audited Annual Financial Report
Year Ended June 30, 2021

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LOS ANGELES UNIFIED SCHOOL DISTRICT
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INTRODUCTORY SECTION

LOS ANGELES UNIFIED SCHOOL DISTRICT

MEGAN K. REILLY
Interim Superintendent of Schools

PEDRO SALCIDO
Interim Deputy Superintendent of Schools

DAVID D. HART
Chief Financial Officer

V. LUIS BUENDIA
Deputy Chief Financial Officer

January 13, 2022

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

Dear Board Members:

The Audited Annual Financial Report of the Los Angeles Unified School District (District), for the fiscal year ended June 30, 2021, 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

Education Code Section (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 2020-21 is Simpson & Simpson, CPAs. The independent auditor's report on the basic financial statements is presented in the Financial Section of this report on page 1.

Management Discussion and Analysis (MD&A)

The MD&A provides an objective and easily readable analysis of the District's financial activities on both a short-term and long-term basis. This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The District's MD&A can be found immediately following the report of the independent auditors.

Profile of the Los Angeles Unified School District

The District encompasses approximately 710 square miles in the western section of Los Angeles County. The District's boundaries include most of the City of Los Angeles, all of the Cities of Gardena, Huntington Park, Lomita, Maywood, San Fernando, Vernon and West Hollywood, and portions of the Cities of Bell, Bell Gardens, Beverly Hills, Carson, Commerce, Cudahy, Culver City, Hawthorne, Inglewood, Long Beach, Los Angeles, 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, 2021, the District operated 438 elementary schools, 78 middle/junior high schools, 89 senior high schools, 54 options schools, 28 multi-level schools, 13 special education schools, 65 magnet schools and 245 magnet centers, 18 primary school centers, 1 community adult school, 7 regional occupational centers, 2 skills centers, 87 early education centers, 4 infant centers, and 89 California State Preschools. The District is governed by a seven-member Board of Education elected by voters within the District to serve alternating five-year terms. These terms were extended to five years for members elected in 2015 and thereafter. As of June 30, 2021, the District employed 35,911 certificated, 29,635 classified, and 14,196 unclassified employees. Enrollment as of September 2020 was 456,964 students in K-12 schools, 43,734 students in adult schools and centers, and 7,222 students 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

California and the nation have made a remarkable rebound from the economic downturn caused by the COVID-19 pandemic. The State's three largest sources of tax revenue (personal income, sales and use, and corporation) have posted big gains and are continuing to surge. The significant increase in State revenue provided the highest level of funding in California's history for K-12 education as unveiled in the 2021-22 Enacted State Budget. Historically high three-year increase in the minimum guarantee of $47 billion over the level funded in the 2020 Budget Act with Proposition 98 estimated at $79.3 billion in 2019-20, $93.4 billion in 2020-21, and $93.7 billion in 2021-22.

The latest UCLA Anderson September 2021 Forecast reports a solid but unimpressive economic growth, a change of tone from the past two quarters that pictured a much robust and roaring economic performance. While the Delta variant spread quickly across the country, vaccination rates have flattened which led to lower expectations of economic growth. The current forecast for 2021 is for an average annual GDP growth of 5.6%, down from the 7.1% rate predicted in June. GDP growth for 2022 is predicted to be 4.1%, down from the 5% in June. For 2023, on the other hand, is an increase in growth at 3.1%, up from the 2.2% as forecasted in June with consumption and investment shifting further into the future. On the labor market, California forecast is an annual unemployment rate of 7.6% in 2021, 5.6% in 2022, and 4.4% in 2023. The forecast expects California's recovery and expansion to outpace those of the U.S. as a whole because of its better public health outcomes that paved the way for the continuance of the state economic reopening. The analysis of California's pandemic-induced recession and recovery also points to the disproportionate effect on lower-income Californians increasing inequities within the state.

The table below shows the monthly unemployment rates in 2020 and 2021, in comparison to the pre-pandemic year of 2019 for both the U.S. and California. The declining California unemployment rate, from a high of 16% in April 2020 to the latest November 2021 rate of 6.9%, highlights the ongoing economic recovery for the Golden State.

Month	U.S. 2019	U.S. 2020	U.S. 2021	California 2019	California 2020	California 2021
January	4.0%	3.5%	6.3%	4.3%	4.2%	9.0%
February	3.8%	3.5%	6.2%	4.3%	4.3%	8.5%
March	3.8%	4.4%	6.0%	4.2%	4.5%	8.3%
April	3.7%	14.8%	6.1%	4.1%	16.0%	8.0%
May	3.7%	13.3%	5.8%	4.1%	15.6%	7.7%
June	3.6%	11.1%	5.9%	4.1%	14.1%	7.6%

July	3.6%	10.2%	5.4%	4.1%	13.2%	7.6%
August	3.7%	8.4%	5.2%	4.1%	12.3%	7.5%
September	3.5%	7.8%	4.8%	4.1%	10.6%	7.5%
October	3.6%	6.9%	4.6%	4.1%	9.8%	7.3%
November	3.6%	6.7%	N/A	4.1%	8.7%	6.9% (P)
December	3.6%	6.7%	N/A	4.2%	9.3%	N/A

Source: Bureau of Labor Statistics – Labor Force Statistics from the Current Population Survey/(P) preliminary/N/A Not Available

What could possibly pose as risks to the economic health of California and the country are the rising inflation, with demand for resources outpacing supply, possible interest rate increase policy to curb inflation, and the potential resurgence of COVID-19 from new variants that could disrupt again global supply chains and temper consumer enthusiasm.

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 EC §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.

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 2020-21, the Statement of Changes in Net Position shows that the District's Net Position slightly increased by $0.7 billion during the year. The Unrestricted Net Position, which is negative, improved by $0.02 billion from -$16.38 billion to -$16.36 billion. The negative Unrestricted Net Position is largely the result of net other postemployment (OPEB) liability and net pension liability for various retirement plans. The noted improvement is primarily attributable to the receipt of COVID-19 funding and cost savings on operating expenses due to a delayed school reopening for safety reasons.

Audit Results

The District received unmodified opinions on its financial statements, federal and state compliance audits, which indicate the accuracy of the District's financial data for school year 2020-21. 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).

There were 12 federal programs and 17 state compliance requirements audited. The examination resulted to 15 audit findings with a total questioned costs of $160.9 million. The questioned costs mainly pertain to the District not meeting the Current Expense Formula (CEF). CEF based on EC Section 41372, is a calculation to monitor if a school district has spent at least a specified percentage of its General Fund resources on classroom salaries and benefits – i.e., mainly on teachers and paraprofessionals. The minimum threshold for unified school districts is 55%. For 2020-21, the District's percentage spent is 52.7%, which is 2.3% below the minimum. This is due to a significant amount of dollars spent on expenditures other than classroom salaries and benefits necessary to provide remote learning to students brought about by the COVID-19 pandemic. Further, the ratio is lower due to the significant increase in COVID-19 expenditures which are part of the denominator in the formula. Examples of these expenditures include purchases of devices, connectivity, instruction software licenses, and other necessary expenses to address learning loss and the safety of students. The District is engaged with the Los Angeles County Office of Education (LACOE) to seek a waiver request, which is allowed under Education Code Section 41372. Should the waiver be denied, the District shall be required, based on the audit, to spend on classroom salaries and benefits to meet the minimum requirement in the following year.

The District shall continue to work with schools and offices to improve internal controls and recordkeeping process, and ensure that compliance with State and Federal program requirements are met.

Acknowledgments

We wish to express our appreciation to the Division of Accounting and Disbursements team, the various District divisions who assisted in the preparation of this report, school based and program staff for their cooperation in providing requested audit information and their assistance in resolving potential audit findings, and acknowledge the effort of our independent auditors.

Respectfully submitted,

Megan K. Reilly
Interim Superintendent of Schools

Prepared by:

Joy Mayor
Controller

V. Luis Buendia
Deputy Chief Financial Officer

David D. Hart
Chief Financial Officer

BOARD OF EDUCATION

Kelly Gonez, President
Board District 6

Dr. George J. McKenna III
Board District 1

Mónica García
Board District 2

Scott Schmerelson
Board District 3

Nick Melvoin
Board District 4

Jackie Goldberg
Board District 5

Tanya Ortiz Franklin
Board District 7

PRINCIPAL SCHOOL DISTRICT OFFICIALS

Megan K. Reilly
Interim Superintendent of Schools
(Effective July 1, 2021)

Austin Beutner
Superintendent of Schools
(May 1, 2018 – June 30, 2021)

Pedro Salcido
Interim Deputy Superintendent, Business Services & Operations
(Effective July 1, 2021)

David D. Hart
Chief Financial Officer

V. Luis Buendia
Deputy Chief Financial Officer

Joy Mayor
Controller

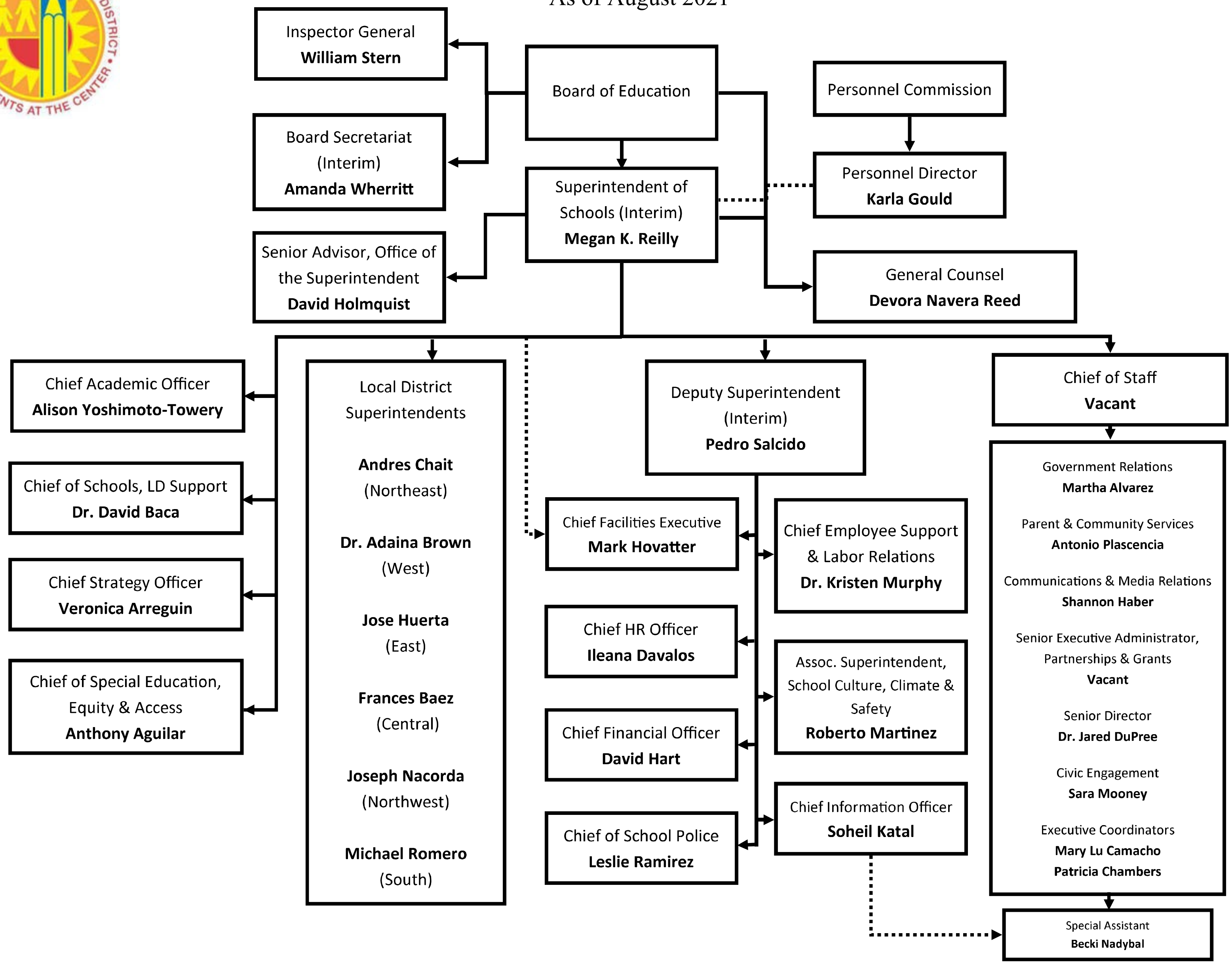
LOCAL DISTRICT OFFICIALS

as of December 8, 2021

	Local District Superintendent	**Administrator of Instruction**	**Administrator of Operations**	**Administrator of Parent & Community Engagement**	**Administrator of Special Education**
Northeast:	Andres E. Chait	Alma Flores Sandra Gephart Fontana	Jose Razo	Patrizia Puccio	Alesha Haase
Northwest:	Joseph Nacorda	Dr. Margaret Kim	Debra Bryant	Gonsalo Garay	Lisa Kendrick
South:	Michael Romero	Alma Kimura (Interim) John K. Vladovic	Peter Hastings	Leticia Estrada de Carreon	Jennifer McConn
East:	Jose Huerta	Cristina Munoz Lourdes Ramirez-Ortiz	Jose Avila	Elsa Tinoco	Janet Montoya
West:	Dr. Adaina Brown	Karen Mercado L. Remon Corley	Dr. Douglas Meza	Robin Willis	Annmarie Serrano
Central:	Frances Baez	Julie Gonzalez Andre Spicer	Miguel Saenz	Theresa Arreguin	Yolanda Bueno

Los Angeles Unified School District

2020-2021 Organizational Chart
As of August 2021



FINANCIAL SECTION

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

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, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Los Angeles Unified School District as of June 30, 2021, 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.

Emphasis of Matter

As discussed in Note 1(q) and 1(r) to the basic financial statements, on July 1, 2020, the District adopted the recognition and disclosure requirements of Governmental Accounting Standards Board Statement No. 84, *Fiduciary Activities*. The beginning net position and fund balance of the governmental fund as of July 1, 2020, have been restated. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 to 14 and the required supplementary information on pages 75 to 83 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

The supplementary information on pages 84 to 111, 117 to 119, and 126, and the schedule of expenditures of federal awards and related notes on pages 127 to 131, are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory section and the supplementary information on pages 113 to 116 and 120 to 125 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 January 13, 2022, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Simpson & Simpson

Los Angeles, California
January 13, 2022

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, 2021.

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

Financial Highlights

- The liabilities plus deferred inflows of resources of the District exceeded its assets plus deferred outflows of resources at the close of the most recent fiscal year by $9.8 billion (deficit net position). The negative net position is primarily comprised of an unrestricted $16.4 billion deficit, which includes net pension liabilities for various retirement plans totaling $7.9 billion and net other postemployment benefits (OPEB) liability totaling $11.1 billion.
- The District's total net position increased by $0.7 billion from the prior year.
- Long term liabilities increased by $0.3 billion primarily due to the issuance of General Obligation (GO) Bonds and Certificates of Participation (COPs).
- As of the close of the 2021 fiscal year, the District's governmental funds reported combined ending fund balances of $6.2 billion, an increase of $1.5 billion from the fiscal year ended June 30, 2020.
- At the end of the current fiscal year, assigned and unassigned fund balances for the General Fund, including reserve for economic uncertainties, was $2.6 billion, or 31.8% 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.

The government-wide financial statements can be found on pages 15-16 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 two categories: governmental funds and proprietary 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 21 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 17 and 19 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 22-24 of this report.

Notes to basic financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 25-73 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, and the internal service funds are presented immediately following the required supplementary information. Combining and individual fund schedules and statements can be found on pages 84-111 of this report.

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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 $9.8 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 ($1.8 billion) represents resources that are subject to external restrictions on how they may be used. The majority of this pertains to capital projects funds, primarily the County School Facilities Bonds Fund and Bond Interest and Redemption Fund. The remaining negative balance in unrestricted net position (-$16.4 billion) resulted primarily from the net pension liability for various retirement plans totaling $7.9 billion and the net OPEB liability totaling $11.1 billion.

At the end of the 2021 fiscal year, the District is able to report positive balances in all categories of net position except for unrestricted net position.

The $0.1 billion increase in net capital assets primarily relates to costs incurred for school modernization projects throughout the District which is higher compared to the recognition of depreciation expense.

Long-term liabilities increased by $0.3 billion primarily due to the issuance of new and refunding bonds of General Obligation Bonds and the refunding of Certificates of Participation.

Summary Statements of Net Position (in thousands)

As of June 30, 2021 and 2020:

	Governmental Activities	
	2021	**Restated 2020**
Current Assets	$ 8,557,740	$ 7,138,641
Capital Assets, net	15,037,598	14,891,080
Total Assets	23,595,338	22,029,721
Deferred Outflows of Resources	4,203,087	2,529,761
Current Liabilities	1,483,315	1,252,570
Long-term Liabilities	12,660,254	12,377,635
Net Pension Liability	7,935,187	7,446,273
Net Other Postemployment Benefits Liability	11,062,961	8,578,152
Total Liabilities	33,141,717	29,654,630
Deferred Inflows of Resources	4,416,829	5,385,932
Net Position:		
Net investment in capital assets	4,791,464	4,450,448
Restricted for:		
Debt service	1,094,376	992,121
Program activities	711,574	452,801
Unrestricted	(16,357,535)	(16,376,450)
Total Net Position	$ (9,760,121)	$ (10,481,080)

(Continued)

Summary Statements of Changes in Net Position (in thousands)

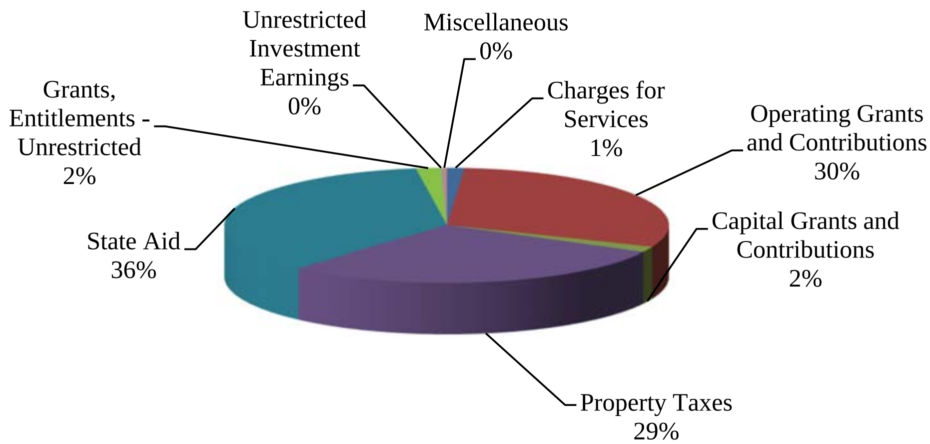
Year ended June 30, 2021 and 2020:

	Governmental Activities	
	2021	**Restated 2020**
Revenues:		
Program Revenues:		
Charges for services	$ 134,532	$ 152,432
Operating grants and contributions	3,163,258	1,958,995
Capital grants and contributions	160,183	102,786
Total Program Revenues	3,457,973	2,214,213
General Revenues:		
Property taxes levied for general purposes	1,840,504	1,679,311
Property taxes levied for debt service	1,149,309	960,402
Property taxes levied for community redevelopment	49,455	38,758
State aid not restricted to specific purpose	3,815,566	3,974,319
Grants, entitlements, and contributions not restricted to specific programs	188,864	221,640
Unrestricted investment earnings	9,253	34,632
Miscellaneous	37,775	25,729
Total General Revenues	7,090,726	6,934,791
Total Revenues	10,548,699	9,149,004
Expenses:		
Instruction	$ 4,692,148	4,559,696
Support Services:		
Support services – students	605,902	493,093
Support services – instructional staff	745,931	616,598
Support services – general administration	122,422	130,274
Support services – school administration	543,716	537,280
Support services – business	401,658	273,679
Operation and maintenance of plant services	866,231	795,422
Student transportation services	149,066	197,902
Data processing services	77,363	61,805
Operation of noninstructional services	475,967	545,275
Facilities acquisition and construction services	144,969	143,576
Other uses	5,541	5,584
Interest expense	411,255	398,179
Depreciation – unallocated	585,571	584,447
Total Expenses	9,827,740	9,342,810
Changes in Net Position	720,959	(193,806)
Net Position – Beginning of Year	(10,481,080)	(10,287,274)
Net Position – End of Year	$ (9,760,121)	$ (10,481,080)

The District's beginning net position was restated for 2019-20 for Governmental Accounting Standards Board (GASB) No. 84 (see note 1 (q)). At the end of the current fiscal year, the District's net position increased by $0.7 billion from the prior year primarily due to the receipt of COVID-19 funding and cost savings on operating expenses due to a delayed school reopening for safety reasons.

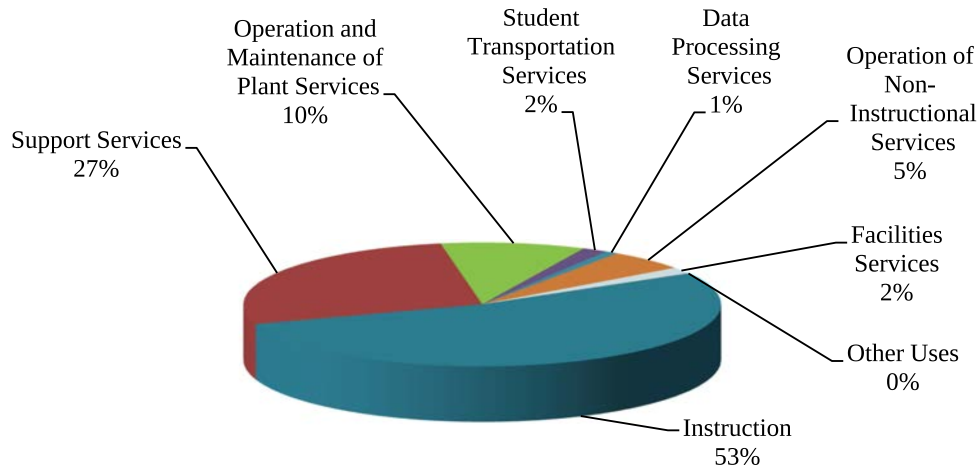
The following graph shows that state aid, property taxes, and operating grants and contributions are the main revenue sources of the District.

Revenues by Source
Year Ended June 30, 2021



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

Expenses
Year Ended June 30, 2021



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 \$6.2 billion, an increase of \$1.4 billion in comparison with the prior year. Approximately 75.5% of this total combined ending fund balance consists of the assigned fund balance totaling \$1.1 billion (17.4%) and nonspendable and restricted fund balances totaling \$3.6 billion (58.1%), which can only be spent for specific purposes because of laws and regulations or grantor restrictions. The remaining \$1.5 billion (24.6%) of this total combined ending fund balance constitutes reserved for economic uncertainties fund balance totaling \$0.09 billion (1.5%), and unassigned fund balance totaling \$1.4 billion (23.1%), which includes spendable amounts not contained in the other classifications.

The General Fund is the primary operating fund of the District. At the end of the 2021 fiscal year, the unassigned fund balance of the General Fund was \$1.4 billion, while the total fund balance is \$2.9 billion. The fund balance of the District's General Fund increased by \$0.8 billion during the current fiscal year. This is primarily attributable to the receipt of COVID-19 funding and cost savings on operating expenses due to a delayed school reopening for safety reasons.

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

			Other Governmental Funds			
	District Bonds	**Bond Interest and Redemption**	**Special Revenue**	**Debt Service**	**Other Capital Projects**	**Total**
Fund Balance, June 30, 2021:						
Nonspendable						
Revolving cash and imprest funds	$ 619	$ —	$ 17	$ —	$ —	$ 17
Inventories	—	—	24,090	—	—	24,090
Prepaids	—	—	42	—	—	42
Restricted	1,556,335	1,224,323	139,869	16,448	407,086	563,403
Assigned	—	—	8,062	—	13,188	21,250
Total	1,556,954	1,224,323	172,080	16,448	420,274	608,802
Fund Balance, July 1, 2020 (Restated)*	1,063,017	1,042,805	185,621 *	35,150	448,453	669,224
Increase (decrease) in fund balance	$ 493,937	$ 181,518	$ (13,541)	$ (18,702)	$ (28,179)	$ (60,422)

The fund balance increased during the current year for the District Bonds due to the issuance of new General Obligation Bonds offset by increase in spending for school modernization projects and renovation. The increase of \$0.2 billion in Bond Interest and Redemption was attributable to the increase in property tax levy for local bond debt service. Special Revenue decreased primarily due to the Cafeteria Fund in which overall revenues is lower due to temporary school closures during the year.

The decrease of $0.03 billion for the Capital Projects is primarily due to spending on projects in the County School Facilities Bonds combined with project cost transfers out to other funds. Debt Service decreased primarily due to balloon payment of COPs 2005QZAB for $10 million and issuance of COPs 2020A which refunded 2010B1, 2010B2 & 2013A.

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

At the end of the year, the District’s proprietary funds have an unrestricted net position of $0.3 billion. The net decrease of $0.2 billion in the current year is primarily attributed to a transfer of fund balance totaling $0.2 billion from the Health and Welfare Benefits Fund to the General 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 occur 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 Enacted Budget, while the Modified Final Budget is based on all other known State budgetary changes and changes to the District’s priority of program implementations and/or planned expenditures since the Original Final Budget. Differences between the 2020-21 General Fund Original Final Budget and the Modified Final Budget, resulted in a higher budgeted ending balance by $0.1 billion, from $1.9 billion to $2.0 billion. Adjustments to the Original Final Budget were an increase in beginning balance by $0.2 billion, an increase in budgeted revenues and financing sources by $0.9 billion, and an increase in budgeted expenditures and other financing uses by $0.9 billion.

The increase in beginning balance by $0.2 billion was to reflect the actual ending balance as of June 30, 2020 as opposed to the estimated June 30, 2020 ending balance. The net increase in budgeted revenues and other financing sources of $0.9 billion was mostly due to the recognition of COVID-related federal and state funding totaling $0.7 million, increase in Local Control Funding Formula (LCFF) revenue of $0.1 billion, and funding increase of State’s on behalf contribution to California State Teachers’ Retirement System (CalSTRS).

The increase in estimated expenditures and other financing uses of $0.9 billion was mostly attributable to the program implementation of COVID-related funds and the increased expenditure authority for the State’s on behalf contribution to California State Teachers’ Retirement System (CalSTRS).

Actual vs. Modified Final Budget

The beginning balances are the same on both the Actual and the Modified Final Budget. The unfavorable variance of $0.4 billion in revenues and other financing sources between the Actual and Modified Final Budget was mostly due to adjustments on multi-year grants and COVID-related funds which are budgeted in their entirety but earned only to the extent of actual expenditures incurred.

The favorable variance of $1.3 billion in expenditures and other financing uses between the Actual and the Modified Final Budget was mostly from school carryover accounts. The unspent portion of these school accounts will be carried over into the next fiscal year to pay for future obligations. The largest decreases in expenditures

(Continued)

were mainly in Books and Supplies ($0.5 billion), Certificated Salaries ($0.2 billion), and Services and Other Operating Expenditures ($0.3 billion).

Differences between the Actual and Modified Final Budget in the General Fund resulted in a higher ending balance by $0.8 billion, from $2.0 billion to $2.8 billion.

Capital Assets and Debt Administration

Capital assets. The District's investment in capital assets for its governmental activities as of June 30, 2021 amounts to $15.0 billion (net of accumulated depreciation), 0.98% increase from the prior year. The investment in capital assets includes sites, improvement of sites, buildings and improvements, equipment, and construction in progress, net of any related accumulated depreciation. The increase is primarily due to comprehensive and major modernization projects, heating, ventilation, and air conditioning (HVAC) projects, and various Americans with Disabilities Act (ADA) improvement at school sites.

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

	Governmental Activities	
	2021	**Restated 2020**
Sites	$ 3,100,360	$ 3,100,133
Improvement of sites	313,870	279,301
Buildings and improvements	9,432,012	9,598,504
Equipment	430,697	380,565
Construction in progress	1,760,659	1,532,577
Total	$ 15,037,598	$ 14,891,080

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

Long-term obligations. At the end of the current fiscal year, the District had total long-term obligations of $31.7 billion. Of this amount, $11.8 billion is comprised of debt to be repaid by voter approved property taxes and not by the General Fund of the District.

The District's total long-term obligations increased by $3.3 billion (11.5%) during the current fiscal year. The increase was primarily due to new issuance of new and refunding General Obligation Bonds and increase in change of actuarial assumptions.

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

	Governmental Activities	
	2021	Restated 2020
General Obligation (GO) Bonds	$ 11,768,846	$ 11,408,196
Certificates of Participation (COPs)	139,517	168,430
Capital Lease Obligations	93	186
Children's Center Facilities Revolving Loan	–	80
Liability for Compensated Absences	108,286	90,595
Liability for Other Employee Benefits	33,671	39,552
Self-insurance Claims	609,841	670,596
Net Pension Liability	7,935,187	7,446,273
Other Postemployment Benefits (OPEB)	11,062,961	8,578,152
Total	$ 31,658,402	$ 28,402,060

Long-Term Credit Ratings

Below are the District's long-term credit ratings as of June 30, 2021 from the rating agencies that carry ratings on all or some of the District's outstanding GO bonds and COPs:

1. Moody's Investors Service (Moody's) rated the District's GO bonds and COPs "Aa3" and "A2", respectively, with a Stable Outlook. In addition, Moody's assigned a "A1" issuer credit rating to the District.
2. Fitch Ratings (Fitch) rated the District's GO bonds as "AA+" with a Negative Outlook and provided an Issuer Default Rating of "A-" with a Negative Outlook. See Footnote 16 Subsequent Events for an update to this rating.
3. Standard & Poor's (S&P) rated the District's GO bonds and COPs as "A+" and "A", respectively, with a Stable Outlook.
4. Kroll Bond Rating Agency (KBRA) rated the District's GO bonds as "AAA" with a Stable Outlook.

Prior to 2008, 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 these 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, 2021 is $19.7 billion, which is in excess of the District's outstanding general obligation bond debt.

Additional information on the District's long-term obligations can be found in Notes 11 and 12 on pages 65-69 of this report.

Requests for Information

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

LOS ANGELES UNIFIED SCHOOL DISTRICT
Statement of Net Position
June 30, 2021
(in thousands)

	Governmental Activities
Assets:	
Cash in county treasury, in banks, and on hand	$ 6,495,250
Cash held by trustee	167,836
Investments	13,800
Property taxes receivable	112,274
Accounts receivable, net	1,600,075
Accrued interest receivable	11,607
Prepaids	76,663
Inventories	56,888
Accounts receivable, non current	17,902
Other assets	5,445
Capital assets:	
Sites	3,100,360
Improvement of sites	826,805
Buildings and improvements	17,016,892
Equipment	2,529,059
Construction in progress	1,760,659
Less accumulated depreciation	(10,196,177)
Total Capital Assets, Net of Depreciation	15,037,598
Total Assets	23,595,338
Deferred Outflows of Resources	4,203,087
Liabilities:	
Vouchers and accounts payable	335,789
Contracts payable	111,586
Accrued payroll	453,916
Accrued interest	267,691
Other payables	202,271
Unearned revenue	112,062
Long-term liabilities:	
Portion due within one year	914,645
Portion due after one year	11,745,609
Net pension liability	7,935,187
Net other post-employment liability	11,062,961
Total Liabilities	33,141,717
Deferred Inflows of Resources	4,416,829
Net Position:	
Net investment in capital assets	4,791,464
Restricted for:	
Debt service	1,094,376
Program activities	711,574
Unrestricted	(16,357,535)
Total Net Position	$ (9,760,121)

See accompanying notes to basic financial statements.

LOS ANGELES UNIFIED SCHOOL DISTRICT
Statement of Activities
Year Ended June 30, 2021
(in thousands)

Functions/programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position
Governmental activities:					
Instruction	$ 4,692,148	$ 17,578	$ 1,482,371	$ —	$ (3,192,199)
Support services – students	605,902	1,367	312,556	—	(291,979)
Support services – instructional staff	745,931	337	368,912	—	(376,682)
Support services – general administration	122,422	—	1,595	—	(120,827)
Support services – school administration	543,716	—	110,418	—	(433,298)
Support services – business	401,658	9,377	294,471	—	(97,810)
Operation and maintenance of plant services	866,231	28,955	164,393	—	(672,883)
Student transportation services	149,066	—	14,543	—	(134,523)
Data processing services	77,363	—	105	—	(77,258)
Operation of non-instructional services	475,967	364	375,445	—	(100,158)
Facilities acquisition and construction services*	144,969	76,554	37,257	77,689	46,531
Other Uses	5,541	—	—	—	(5,541)
Interest expense	411,255	—	1,192	82,494	(327,569)
Depreciation – unallocated**	585,571	—	—	—	(585,571)
Total Governmental Activities	$ 9,827,740	$ 134,532	$ 3,163,258	$ 160,183	(6,369,767)
General revenues:					
Taxes:					
Property taxes, levied for general purposes					1,840,504
Property taxes, levied for debt service					1,149,309
Property taxes, levied for community redevelopment					49,455
State aid not restricted to specific purpose					3,815,566
Grants, entitlements, and contributions not restricted to specific programs					188,864
Unrestricted investment earnings					9,253
Miscellaneous					37,775
Total General Revenues					7,090,726
Change in Net Position					720,959
Net Position – Beginning of Year, Restated					(10,481,080)
Net Position – End of Year					$ (9,760,121)

* 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, 2021
(in thousands)

	General	District Bonds	Bond Interest and Redemption	Other Governmental	Total Governmental
Assets:					
Cash in county treasury, in banks, and on hand	$ 2,257,664	$ 1,673,750	$ 1,078,475	$ 573,420	$ 5,583,309
Cash held by trustee	17	—	154,870	12,949	167,836
Investments	—	—	—	13,800	13,800
Taxes receivable	—	—	112,274	—	112,274
Accounts receivable – net	1,522,263	—	—	45,133	1,567,396
Accrued interest receivable	4,509	3,805	—	1,229	9,543
Prepaids	22,331	223	—	42	22,596
Inventories	32,798	—	—	24,090	56,888
Other assets	—	—	—	215	215
Total Assets	3,839,582	1,677,778	1,345,619	670,878	7,533,857
Deferred Outflows of Resources	—	—	—	—	—
Total Assets and Deferred Outflows of Resources	$ 3,839,582	$ 1,677,778	$ 1,345,619	$ 670,878	$ 7,533,857
Liabilities and Fund Balances:					
Vouchers and accounts payable	$ 294,308	$ 26,595	$ —	$ 10,209	$ 331,112
Contracts payable	27,241	82,816	—	1,529	111,586
Accrued payroll	416,294	5,153	—	35,644	457,091
Other payables	136,245	6,260	—	12,837	155,342
Unearned revenue	110,205	—	—	1,857	112,062
Total Liabilities	984,293	120,824	—	62,076	1,167,193
Deferred Inflows of Resources:					
Property taxes	—	—	112,274	—	112,274
Qualified School Construction Bonds	—	—	9,022	—	9,022
Total Deferred Inflows of Resources	—	—	121,296	—	121,296
Fund Balances:					
Nonspendable	57,963	619	—	24,149	82,731
Restricted	199,917	1,556,335	1,224,323	—	2,980,575
Restricted, reported in:					
Special revenue funds	—	—	—	139,869	139,869
Debt service funds	—	—	—	16,448	16,448
Capital projects funds	—	—	—	407,086	407,086
Assigned	1,064,146	—	—	—	1,064,146
Assigned, reported in:					
Special revenue funds	—	—	—	8,063	8,063
Capital projects funds	—	—	—	13,187	13,187
Unassigned:					
Reserved for economic uncertainties	91,990	—	—	—	91,990
Unassigned	1,441,273	—	—	—	1,441,273
Total Fund Balances	2,855,289	1,556,954	1,224,323	608,802	6,245,368
Total Liabilities, Deferred Inflows of Resources and Fund Balances	$ 3,839,582	$ 1,677,778	$ 1,345,619	$ 670,878	$ 7,533,857

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, 2021
(in thousands)

Total Fund Balances – Governmental Funds	$ 6,245,368
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 $25,233,775 and the accumulated depreciation is $10,196,177.	15,037,598
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.	112,274
Federal subsidies for debt service expenditures are recognized in the governmental funds only when the corresponding interest expenditure is recognized.	9,022
Receivables that will be collected in the following year and thereafter are not available soon enough to pay the current period's expenditures and therefore are not reported in the governmental funds.	17,902
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.	318,710
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.	(12,313,952)
Deferred outflow/inflow of resources – refunding charges are not reported in the governmental funds.	36,990
Proportionate share of net pension liability and related deferred inflow/outflow of resources are not reported in the governmental funds.	(6,653,415)
Net other postemployment benefits liability and related deferred inflow/outflow of resources are not reported in the governmental funds.	(12,570,618)
Total Net Position – Governmental Activities	$ (9,760,121)

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, 2021
(in thousands)

	General	District Bonds	Bond Interest and Redemption	Other Governmental	Total Governmental
Revenues:					
Local Control Funding Formula sources	$ 5,655,895	$ —	$ —	$ —	$ 5,655,895
Federal revenues	1,674,440	—	95,945	293,115	2,063,500
Other state revenues	1,223,838	—	3,718	340,696	1,568,252
Other local revenues	190,821	10,446	1,131,877	151,086	1,484,230
Total Revenues	8,744,994	10,446	1,231,540	784,897	10,771,877
Expenditures:					
Current:					
Certificated salaries	3,086,731	—	—	100,750	3,187,481
Classified salaries	1,159,789	47,269	—	185,403	1,392,461
Employee benefits	2,151,390	22,706	—	189,432	2,363,528
Books and supplies	621,289	12,876	—	129,084	763,249
Services and other operating expenditures	1,067,785	29,813	—	(29,140)	1,068,458
Capital outlay	95,701	588,262	—	85,241	769,204
Debt service – principal	93	—	695,045	29,316	724,454
Debt service – bond issuance cost	—	—	2,948	—	2,948
Debt service – bond, COPs, and capital leases interest	10	—	510,456	6,166	516,632
Other outgo	5,541	—	—	—	5,541
Transfers of indirect costs – interfund	(22,308)	—	—	22,308	—
Total Expenditures	8,166,021	700,926	1,208,449	718,560	10,793,956
Excess (Deficiency) of Revenues Over (Under) Expenditures	578,973	(690,480)	23,091	66,337	(22,079)
Other Financing Sources (Uses):					
Transfers in	265,007	270,033	—	69,555	604,595
Transfers out	(38,165)	(142,676)	—	(196,754)	(377,595)
Issuance of bonds	—	1,057,060	—	—	1,057,060
Issuance of refunding bonds	—	—	498,310	—	498,310
Payment to refunded bond escrow agent	—	—	(631,490)	—	(631,490)
Premium on refunding bonds issued	—	—	134,937	—	134,937
Premium on bonds issued	—	—	156,670	—	156,670
Premium on refunding COPs issued	—	—	—	5,644	5,644
Issuance of refunding COPs	—	—	—	28,390	28,390
Payment to refunded COPs escrow agent	—	—	—	(33,594)	(33,594)
Total Other Financing Sources (Uses)	226,842	1,184,417	158,427	(126,759)	1,442,927
Net Changes in Fund Balances	805,815	493,937	181,518	(60,422)	1,420,848
Fund Balances, July 1, 2020, Restated	2,049,474	1,063,017	1,042,805	669,224	4,824,520
Fund Balances, June 30, 2021	$ 2,855,289	$ 1,556,954	$ 1,224,323	$ 608,802	$ 6,245,368

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, 2021
(in thousands)

Net Changes in Fund Balances – Governmental Funds	$ 1,420,848
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.	146,519
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.	(194,222)
Premiums, discounts, and refunding charges are reported as other financing sources and uses in the governmental funds, but constitute additions and reductions to liabilities in the statement of net position.	(168,531)
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.	17,730
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).	(11,824)
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.	(19,157)
Some expenses, including legal settlements and rebatable arbitrage, are recognized in the government wide statements as soon as the underlying event has occurred but not until due and payable in the governmental funds.	(911)
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.	(156,249)
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.	(2,334)
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.	(17,449)
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.	(424,767)
Adoption of GASB 75 recognizes actuarial OPEB expense in the government wide statements and reclassify actual pension contribution in the current year as deferred outflow of resources.	131,306
Change in Net Position of Governmental Activities	$ 720,959

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, 2021
(in thousands)

	Budget			Variance with Final Budget – Favorable
	Original	Final	Actual	(Unfavorable)
Revenues:				
Local Control Funding Formula sources	$ 5,529,868	$ 5,653,427	$ 5,655,895	$ 2,468
Federal revenues	1,576,613	1,987,247	1,674,440	(312,807)
Other state revenues	963,132	1,394,471	1,223,838	(170,633)
Other local revenues	142,507	131,169	190,821	59,652
Total Revenues	8,212,120	9,166,314	8,744,994	(421,320)
Expenditures:				
Current:				
Certificated salaries	3,252,131	3,298,359	3,086,731	211,628
Classified salaries	1,073,509	1,162,032	1,159,789	2,243
Employee benefits	2,169,124	2,329,130	2,151,390	177,740
Books and supplies	1,001,918	1,144,749	621,289	523,460
Services and other operating expenditures	893,427	1,403,315	1,067,785	335,530
Capital outlay	81,537	97,707	95,701	2,006
Debt service – principal	402	298	93	205
Debt service – bond, COPs, and capital leases interest	28	28	10	18
Other outgo	7,653	7,588	5,541	2,047
Transfers of indirect costs – interfund	(26,991)	(24,250)	(22,308)	(1,942)
Total Expenditures	8,452,738	9,418,956	8,166,021	1,252,935
Excess (Deficiency) of Revenues Over (Under) Expenditures	(240,618)	(252,642)	578,973	831,615
Other Financing Sources (Uses):				
Transfers in	245,000	265,099	265,007	(92)
Transfers out	(58,372)	(38,250)	(38,165)	85
Proceeds from sale of capital assets	100,000	—	—	—
Total Other Financing Sources (Uses)	286,628	226,849	226,842	(7)
Net Changes in Fund Balances	46,010	(25,793)	805,815	831,608
Fund Balances, July 1, 2020	1,866,686	2,049,474	2,049,474	—
Fund Balances, June 30, 2021	$ 1,912,696	$ 2,023,681	$ 2,855,289	$ 831,608

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, 2021
(in thousands)

Assets:	
Cash in county treasury, in banks, and on hand	$ 911,941
Accounts receivable – net	32,679
Accrued interest and dividends receivable	2,062
Prepaids	54,067
Other assets	5,230
Total Assets	1,005,979
Deferred Outflows of Resources	4,809
Liabilities:	
Current:	
Vouchers and accounts payable	10,181
Accrued payroll	1,886
Other payables	40,514
Estimated liability for self-insurance claims	226,933
Total Current Liabilities	279,514
Noncurrent:	
Estimated liability for self-insurance claims	382,908
Net other post-employment benefits liability	13,468
Net pension liability	11,038
Total Noncurrent Liabilities	407,414
Total Liabilities	686,928
Deferred Inflows of Resources	5,150
Total Net Position – Unrestricted	$ 318,710

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, 2021
(In thousands)

Operating Revenues:	
In-District premiums	$ 1,211,036
Others	10,388
Total Operating Revenues	1,221,424
Operating Expenses:	
Certificated salaries	193
Classified salaries	5,641
Employee benefits	3,827
Supplies	217
Premiums and claims expenses	1,128,018
Claims administration	17,386
Other contracted services	1,106
Total Operating Expenses	1,156,388
Operating Income	65,036
Nonoperating Revenues (Expenses):	
Investment income	5,767
Miscellaneous expense	(52)
Total Nonoperating Revenues	5,715
Income before Transfers	70,751
Transfers out	(227,000)
Changes in Net Position	(156,249)
Total Net Position, July 1, 2020	474,959
Total Net Position, June 30, 2021	$ 318,710

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, 2021
(in thousands)

Cash Flows from Operating Activities:	
Cash payments to employees for services	$ (7,666)
Cash payments for goods and services	(1,198,637)
Receipts from assessment to other funds	1,211,036
Receipts from other operating revenue	10,388
Net Cash Provided by Operating Activities	15,121
Cash Flows from Non-Capital Financing Activities:	
Transfer to other funds	(227,000)
Cash Used by Non-Capital Financing Activities	(227,000)
Cash Flows from Investing Activities:	
Earnings on investments	6,838
Cash Provided by Investing Activities	6,838
Net Decrease in Cash and Cash Equivalents	(205,041)
Cash and Cash Equivalents, July 1	1,116,982
Cash and Cash Equivalents, June 30	$ 911,941
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:	
Operating Income	$ 65,036
Adjustments to reconcile operating income to net cash provided by operating activities:	
Net increase in pension and other postemployment benefits expense from actuarial valuation	840
Change in Assets: Decrease (Increase)	
Accounts receivable	5,781
Prepaids	(1,847)
Other assets	(2,195)
Change in Liabilities: Increase (Decrease)	
Vouchers and accounts payable	1,668
Accrued payroll	1,154
Other payables	5,439
Estimated liability for self-insurance claims – current	40,504
Estimated liability for self-insurance claims – noncurrent	(101,259)
Total Adjustments	(49,915)
Net Cash Provided by Operating Activities	$ 15,121

See accompanying notes to basic financial statements.

(1) Summary of Significant Accounting Policies

The Los Angeles Unified School District (District) accounts for its financial transactions in accordance with the policies and procedures of the California Department of Education's *California School Accounting Manual*. The accounting policies of the District conform to U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (GASB).

The following summary of the more significant accounting policies of the District is provided to assist the reader in interpreting the basic financial statements presented in this section. These policies, as presented, should be viewed as an integral part of the accompanying basic financial statements.

(a) Reporting Entity

The District is primarily responsible for all activities related to K-12 public education in most of the western section of Los Angeles County, State of California. The governing authority, as designated by the State Legislature, consists of seven elected officials who together constitute the Board of Education (Board). Those organizations, functions, and activities (component units) for which the Board has accountability comprise the District's reporting entity.

The District's Audited Annual Financial Report includes all funds of the District and its component units with the exception of the fiscally independent charter schools, which are required to submit audited financial statements individually to the State, and the Auxiliary Services Trust Fund, which is not significant in relation to District operations. This fund was established in 1935 to receive and disburse funds for insurance premiums on student body activities and property, "all city" athletic and musical events, and grants restricted for student-related activities. The District has certain oversight responsibilities for these operations but there is no financial interdependency between the financial activities of the District and the fiscally independent charter schools or the Auxiliary Services Trust Fund.

Blended Component Units

The LAUSD Financing Corporation and the LAUSD Administration Building Finance Corporation (the Corporations) were formed in 2000 and 2001, respectively, to finance properties leased by the District. The Corporations have a financial and operational relationship which meets the reporting entity definition criteria of GASB for inclusion of the Corporations as blended component units of the District. These Corporations are nonprofit public benefit corporations and they were formed to provide financing assistance to the District for construction and acquisition of major capital facilities. The District currently occupies all completed Corporation facilities under lease purchase agreements. At the end of the lease terms, or pursuant to relevant transaction documents with the District, or upon dissolution of the Corporations, title to all Corporations property passes to the District.

On July 1, 2014, the District entered into a joint venture agreement with Los Angeles Trust for Children's Health as the original participant to form Los Angeles Unified School District Risk Management Authority (LAUSDRMA). LAUSDRMA was formed to permit the participants to jointly exercise their common powers to self-insure, pool, and jointly fund and purchase insurance, and to establish insurance programs for a variety of risks. This joint venture also meets GASB's reporting definition criteria of a blended component unit. Detailed information about LAUSDRMA's Financial Statements is available in a separately issued financial report. Copies of the said report may be obtained by written request to General Manager/Secretary, LAUSDRMA, 333 S. Beaudry Avenue, 28th Floor, Los Angeles, CA 90017.

(b) Government-wide and Fund Financial Statements

The District's basic financial statements consist of fund financial statements and government-wide statements which are intended to provide an overall viewpoint of the District's finances. The government-wide financial statements, which are the statement of net position and the statement of activities, report information on all 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 and proprietary funds. Major individual governmental funds are reported as separate columns in the fund financial statements on pages 17 and 19. 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.

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

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

Expenditures for the governmental funds are generally recognized when the related fund liability is incurred, except debt service expenditures and expenditures related to compensated absences which are recognized when payment is due.

(d) Financial Statement Presentation

The District's audited annual financial report includes the following:

- Management's Discussion and Analysis is a narrative introduction and analytical overview of the District's financial activities as required by GASB Statement No. 34. This narrative overview is in a format similar to that in the private sector's corporate annual reports.
- Government-wide financial statements are prepared using full accrual accounting for all of the District's activities. Therefore, current assets and liabilities, deferred outflow and inflow of resources, capital and other long-term assets, and long-term liabilities are included in the financial statements.
- Statement of net position displays the financial position of the District including all capital assets and related accumulated depreciation, long-term liabilities, and net pension and other postemployment benefits (OPEB) liabilities.
- Statement of activities focuses on the cost of functions and programs and the effect of these on the District's net position. This financial report is also prepared using the full accrual basis and includes depreciation expense.

(e) Fund Accounting

The District's accounting system is organized and operated on the basis of funds. Fund Accounting emphasizes accountability rather than profitability. Resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. A description of the activities of the various funds is provided below:

Major Governmental Funds

The District has the following major governmental funds for the fiscal year 2020-21:

General Fund – The General Fund is used to account for all financial resources relating to educational activities and the general business operations of the District, including educational programs funded by other governmental agencies. The General Fund consists of unrestricted and restricted funds.

District Bonds Fund – This category represents the total of the following building accounts: Building Account – Bond Proceeds (Proposition BB), established to account for bond proceeds received as a result of the passage of such proposition in Election of 1997; Building Account – Measure K, established to account for bond proceeds received by the passage of such measure in Election of 2002; Building Account – Measure R, established to account for bond proceeds received by the passage of such measure in Election of 2004; Building Account – Measure Y, established to account for bond proceeds received by the passage of such measure in Election of 2005; and Building Account – Measure Q, established to account for bond proceeds received by the passage of such measure in Election of 2008.

Bond Interest and Redemption Fund – This Debt Service Fund is used to account for the payment of principal and interest on the general obligation bond issues (Proposition BB, Measure K, Measure R, Measure Y, and Measure Q). Revenues are derived from ad valorem taxes levied upon all taxable property in the District.

Other Governmental Funds

The District has the following nonmajor governmental funds:

Special Revenue Funds – Special Revenue Funds are used to account for the proceeds of specific revenue sources that are restricted or committed to expenditures for the specific purpose (other than debt service or capital projects) of the individual funds. The District maintains the following Special Revenue Funds: Student Activity Special Revenue, 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 2020-21.

Capital Projects Funds – Capital Projects Funds are used to account for all financial resources that are restricted, committed, or assigned to expenditures for the acquisition or construction of major capital facilities and equipment other than those financed by the General and Special Revenue Funds. The District maintains the following nonmajor Capital Projects Funds: Building, Capital Facilities Account, State School Building Lease-Purchase, County School Facilities Bonds, Special Reserve – Community Redevelopment Agency, Special Reserve, Special Reserve – FEMA – Earthquake, and Special Reserve – FEMA – Hazard Mitigation. The District Bonds Fund (BB Bonds, Measure K, Measure R, Measure Y, and Measure Q) is reported separately as a major fund in fiscal year 2020-21.

Proprietary Funds

The District has the following Proprietary Funds:

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

Under the full accrual basis of accounting that is generally accepted for Internal Service Funds, total estimated liabilities for self-insurance are recorded based on estimated claims liabilities, including the estimated liability for incurred but not reported claims. For the Workers' Compensation Self-Insurance and Liability Self-Insurance Funds, the estimates are determined by applying an appropriate discount rate to estimated future claim payments. No discount is applied to estimated Health and Welfare

Benefits Fund claims because they are generally paid within a short period of time after the claims are filed.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's internal service funds are charges to other operating funds for self-insurance services. Operating expenses include the cost of services including insurance premiums, claims, and administrative costs. All revenues and expenses not meeting this definition are nonoperating revenues and expenses.

(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 payment of other postemployment benefits.

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

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

(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. At June 30, 2021, there were no balances on due to/from other funds.

(i) Inventories

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

(j) Capital Assets

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

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

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

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, 2021.

(l) Compensated Absences

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

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

(m) Pensions

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

(n) Long-term Obligations

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

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

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

LCFF sources are the basic financial support for District activities. The District's LCFF is received from a combination of local property taxes, EPA, and state apportionments. For the fiscal year 2020-21, the District received $1.5 billion of local property taxes, $1.0 billion of EPA, and $3.2 billion of State aid.

Implementation of the LCFF began in fiscal year 2013-14 with a projected eight-year transition period. For school districts and charter schools, the LCFF creates base, supplemental, and concentration grants in place of most previously existing K-12 funding streams, including revenue limits and most state categorical programs. Until full implementation, local educational agencies (LEAs) will receive roughly the same amount of funding they received in fiscal year 2012-13 plus an additional amount each year to bridge the gap between current funding levels and the new LCFF target levels. As of 2020-21, the LCFF is funded at target for the District. Funding is calculated based on data reported by each LEA including pupil attendance, local revenue, and other demographic factors, in accordance with the LCFF. Allocations are made through the Principal Apportionment system.

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

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

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

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

(p) Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, revenues and expenses in the accompanying basic financial statements. Actual results may differ from those estimates.

(q) New Pronouncements

The GASB has issued Statement No. 84, *Fiduciary Activities,* effective for periods beginning after June 15, 2018. In May 2020, GASB issued Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*, which deferred the effective date for implementing Statement No. 84 to periods beginning after December 15, 2019. The objective of this statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The statement established criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. As a result of the adoption of this standard, the District removed the reporting of the Other Postemployment Benefits (OPEB) Trust Fund in its fiscal year 2020-21 financial statements, as it is no longer required. In addition, Student Body Activities previously reported in the Fiduciary Fund are now reflected as part of the Governmental Funds. The District then restated its June 30, 2020 fund balance in the governmental fund and net position in the governmental activities to reflect the cumulative effect of change in accounting principle. The result is an increase

(Continued)

in the governmental fund balance and in the governmental activities net position by $46.4 million and $47.5 million, respectively.

The GASB has issued Statement No. 90 – *Majority Equity Interests, an amendment of GASB Statements No. 14 and No. 61.* This Statement aims to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. The District's adoption of this statement does not have a material impact on its financial statements.

(r) Restatements

The following table illustrates the cumulative effect of the change in accounting principles as shown on the face of the District's Balance Sheet and Statement of Activities (in thousands):

Fund Balance at beginning of year, as previously reported	$	4,778,090
Restatement –		
Recognition of Student Body Activities (see Note 1q)		46,430
Fund Balance at beginning of year, as restated	$	4,824,520
Net position at beginning of year, as previously reported	$	(10,528,569)
Restatement –		
Recognition of Student Body Activities (see Note 1q)		47,489
Net position at beginning of year, as restated	$	(10,481,080)

(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 have any TRANs issuance in fiscal year 2020-21.

(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 $12,313,952 difference are as follows (in thousands):

Bonds payable	$ (11,768,846)
Certificates of Participation (COPs)	(139,517)
Capital lease obligations	(93)
Liability for compensated absences	(104,992)
Liability for other employee benefits	(31,902)
Accrued interest	(267,691)
Other	(911)
Adjustment to reduce *total fund balances – governmental funds* to arrive at *net position – governmental activities*	$ (12,313,952)

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

The governmental fund statement of revenues, expenditures and changes in fund balances includes a reconciliation between *total net changes in fund balances – governmental funds* and *changes in net position of governmental activities* as reported in the accompanying government-wide statement of activities. One element of that reconciliation explains that "Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense." Moreover, in the statement of activities, only the gain on the sale of capital assets is reported. However, in the governmental funds, the proceeds from the sale increase financial resources. Thus, the change in net position differs from the change in fund balance by the cost of the capital asset sold. The details of this $146,519 difference are as follows (in thousands):

Capital related expenditures	$	769,204
Cost of the capital assets sold		(51)
Depreciation expense		(622,634)
Net adjustment to decrease net changes in *total* fund balances – governmental funds to arrive at changes in net position – governmental activities	$	146,519

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 $194,222 difference are as follows (in thousands):

Principal repayments:		
GO Bonds		695,045
COPs		29,236
Children Center Facilities Loan		80
Capital Leases Obligations		93
Payments to escrow agent for refunding:		
Refunding GO Bonds		631,490
Refunding COPs		33,594
Net adjustment to increase net changes in *total* fund balances – governmental funds to arrive at changes in net position – governmental activities	$	(194,222)

(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 $946.1 million.

(5) Cash and Investments

Cash and investments as of June 30, 2021 are classified in the accompanying basic financial statements as follows (in thousands):

Statement of net position:		
Cash	$	6,495,250
Investments		13,800
Cash held by trustee		167,836
Total cash and investments	$	6,676,886

Cash and investments as of June 30, 2021 consist of the following (in thousands):

Cash on hand (cafeteria change funds)	$	26
Deposits with financial institutions and Los Angeles County Pool		6,663,060
Investments		13,800
Total cash and investments	$	6,676,886

Deposits with financial institutions include: (1) cash in the Los Angeles County Pooled Surplus Investment Fund ($6,457.6 million); (2) cash held by fiscal agents or trustees ($167.8 million); (3) cash deposited with various other financial institutions for imprest funds of schools and offices ($9.9 million); and cash in the Student Activity Special Revenue Fund ($27.8 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.

(Continued)

Except for investments by trustees of Certificates of Participation (COPs) proceeds, the authority to invest District funds deposited with the county treasury is delegated to the County Treasurer and Tax Collector. Additional information about the investment policy of the County Treasurer and Tax Collector may be obtained from the website at http://ttax.co.la.ca.us/. The table below identifies some of the investment types permitted in the investment policy:

	Authorized Investment Type	Maximum Maturity	Maximum Total Par Value	Maximum Par Value per Issuer
A.	Obligations of the U.S. government, its agencies and instrumentalities	None	None	None
B.	Approved Municipal Obligations	5 to 30 years	10% of PSI portfolio	None
C.	Asset-Backed Securities with highest ratings	5 years	20% of PSI portfolio	with credit rating limits
D.	Bankers' Acceptances Domestic and Foreign	180 days	40% of PSI portfolio	with credit rating limits
E.	Negotiable Certificates of Deposits – Domestic	3 years	30% of PSI portfolio	with credit rating limits
	Negotiable Certificates of Deposits – Euro	1 year	10% of PSI portfolio	with credit rating limits
F.	Corporate and Depository Notes	3 years	30% of PSI portfolio	with credit rating limits
G.	Floating Rate Notes	7 years	10% of PSI portfolio	with credit rating limits
H.	Commercial Paper of "prime" quality of the highest ranking or of the highest letter or number ranking as provided for by a nationally recognized statistical-rating organization (NRSRO)	270 days	40% of PSI portfolio	Lesser of 10% of PSI portfolio or credit rating limits
I.	Shares of Beneficial Interest	None	15% of PSI portfolio with no more than 10% in any one fund	None
J.	Repurchase Agreement	30 days	$1 billion	$500 million/dealer
K.	Reverse Repurchase Agreement	1 year	$500 million	$250 million/broker
L.	Forwards, Futures and Options	90 days	$100 million	$50 million/counterparty
M.	Interest-Rate Swaps in conjunction with approved bonds and limited to highest credit rating categories	None	None	None
N.	Securities Lending Agreement	180 days	20% of base portfolio value (combined total value of reverse repurchase agreements and securities lending)	None
O.	Supranationals in accordance with Gov. Code 53601(q)	5 years	30% of PSI portfolio	with credit rating limits

(Continued)

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, 2021, 63.34% of district funds in the County PSI Fund does not exceed one year. In addition, variable-rate notes that comprised 0.01% of the County PSI Fund and other investments portfolio are tied to periodic coupon resets eliminating interest-rate risk by repricing back to par value at each reset date.

Credit risk means the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment, as measured by assignment of a rating by a nationally recognized statistical rating organization. This County's investment guidelines establish minimum acceptable credit ratings issued by any three nationally recognized statistical rating organizations. For short term and long-term debt issuers, the rating must be no less than A1 from Standard & Poor's (S&P), P-1 from Moody's Investors Service (Moody's), or F1 from Fitch Ratings (Fitch). The County PSI Fund is not rated.

Concentration of credit risk means the risk of loss attributed to the magnitude of an investment in a single issuer. For District funds in the County pool, the County's investment policy has concentration limits that provide sufficient diversification. As of June 30, 2021, 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.

(6) Accounts Receivable, net

Receivables by Fund at June 30, 2021 consist of the following (in thousands):

	General	Other Governmental	Internal Service Funds	Total
Accrued grants and entitlements	$ 1,503,495	$ 38,177	$ —	$ 1,541,672
Other	18,768	6,956	32,679	58,403
Total Accounts Receivable, Net	$ 1,522,263	$ 45,133	$ 32,679	$ 1,600,075

(7) Capital Assets

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

	Restated Balances June 30, 2020	Increases	Decreases	Balance, June 30, 2021
Governmental activities:				
Capital assets, not being depreciated:				
Sites	$ 3,100,133	$ 227	$ —	$ 3,100,360
Construction in progress	1,532,577	756,551	(528,469)	1,760,659
Total capital assets, not being depreciated	4,632,710	756,778	(528,469)	4,861,019
Capital assets, being depreciated:				
Improvement of sites	764,587	62,218	—	826,805
Buildings and improvements	16,675,727	341,165	—	17,016,892
Equipment	2,400,818	137,460	(9,219)	2,529,059
Total capital assets, being depreciated	19,841,132	540,843	(9,219)	20,372,756
Less accumulated depreciation for:				
Improvement of sites	(485,286)	(27,649)	—	(512,935)
Buildings and improvements	(7,077,223)	(507,657)	—	(7,584,880)
Equipment	(2,020,253)	(87,328)	9,219	(2,098,362)
Total accumulated depreciation	(9,582,762)	(622,634)	9,219	(10,196,177)
Total capital assets, being depreciated, net	10,258,370	(81,791)	—	10,176,579
Governmental activities capital assets, net	$ 14,891,080	$ 674,987	$ (528,469)	$ 15,037,598

Due to the adoption of GASB No. 84, the beginning balance is restated. Refer to note 1 (q) for further details.

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

Governmental activities:		
Instruction	$	17,573
Support services - students		126
Support services - instructional staff		929
Support services - general administration		128
Support services - school administration		134
Support services - business		2,913
Operation and maintenance of plant services		6,222
Student transportation services		5,415
Data processing services		2,017
Operation of noninstructional services		1,606
Facilities Acquisition and construction		585,571
Total depreciation expense – governmental activities	$	622,634

(8) Deferred Outflows and Inflows of Resources

District’s deferred outflows and inflows of resources as of June 30, 2021 are comprised of the following (in thousands):

	Deferred Outflows		Deferred Inflows	
Debt refunding charges	$	72,291	$	35,301
Pension contributions subsequent to measurement date		755,048		–
OPEB contributions subsequent to measurement date		231,192		–
Difference in contribution		17,433		71,785
Unamortized differences between projected and actual earnings on plan investments		454,516		258,975
Unamortized differences between expected and actual experience		131,530		996,564
Unamortized differences arising from changes of assumptions		2,321,062		2,731,883
Unamortized differences arising from change in proportion of net pension liability		165,107		265,694
Unamortized differences arising from change in proportion of deferred outflow		54,908		–
Unamortized differences arising from change in proportion of deferred inflow		–		56,627
Total	$	4,203,087	$	4,416,829

(9) Retirement, Termination and Other Postemployment Benefit Plans

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

Retirement Plans

Qualified District employees are covered under either multiple-employer defined benefit retirement plans maintained by agencies of the State of California, or a multiple-employer defined contribution retirement benefit plan administered under a Trust. The retirement plans maintained by the State are 1) the California Public Employees' Retirement System (CalPERS), 2) the California State Teachers' Retirement System (CalSTRS), and 3) the Public Agency Retirement (PARS) which is administered under a Trust. In general, certificated employees are members of CalSTRS and classified employees are members of CalPERS. Part-time, seasonal, temporary and other employees who are not members of CalPERS or CalSTRS are members of PARS.

The District's total net pension liability at June 30, 2021 is summarized in the following table (in thousands):

CalPERS – Safety Plan	$	117,825
CalPERS – Miscellaneous Plan		2,421,053
CalSTRS		5,396,309
Total	$	7,935,187

(a) California Public Employees' Retirement System (CalPERS)

<u>Safety Plan</u>

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, 2021, are summarized as follows:

	Safety	
Hiring date	Prior to January 1, 2013	On or after January 1, 2013
Benefit formula	3% @ 50	2.7% @ 57
Benefit vesting schedule	5 years service	5 years service
Benefit payments	monthly for life	monthly for life
Retirement age: minimum	50	57
Monthly benefit, as a % of eligible compensation	3.0%	2.70%
Required employee contribution rates	9.00%	13.75%
Required employer contribution rates	47.268%	47.268%

Employees Covered

At June 30, 2021, the following employees were covered by the benefit terms for the Safety Plan:

	Safety
Inactive employees or beneficiaries currently receiving the benefits	475
Inactive employees entitled to, but not yet receiving benefits	177
Active employees	272
Total	924

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, 2021, the contributions to the Safety Plan amounted to $13.9 million.

Net Pension Liability

The District's net pension liability for the Safety Plan of $117.8 million at June 30, 2021 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, 2020, using an annual actuarial valuation as of June 30, 2019 rolled forward to June 30, 2020 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.

Actuarial Methods and Assumptions

The total pension liability in the June 30, 2019 actuarial valuations were determined using the following actuarial assumptions:

	Safety
Valuation date	June 30, 2019
Measurement date	June 30, 2020
Actuarial cost method	Entry-Age Normal in accordance with the requirements of GASB 68
Actuarial assumptions	
Discount rate	7.15%
Inflation	2.50%
Salary increases	Varies by entry age and service
Investment rate of return	7.15%
Mortality rate table [1]	Derived using CalPERS' membership data for all funds
Post retirement benefit increase	The lesser of contract COLA or 2.50% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.50% thereafter

[1] The mortality table used was developed based on CalPERS-specific data. The probabilities of mortality are based on the 2017 CalPERS Experience Study for the period from 1997 to 2015. Pre-retirement and Post-retirement mortality rates include 15 years of projected mortality improvement using 90% of Scale MP-2016 published by the Society of Actuaries. For more details on this table, please refer to the CalPERS Experience Study and Review of Actuarial Assumptions report from December 2017 that can be found on the CalPERS website.

All other actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the period from 1997 to 2015, including updates to salary increases, mortality and retirement dates. The Experience Study report can be obtained at CalPERS' website under Forms and Publications.

Change of Assumptions

There was no change of assumptions.

Change in Benefit Terms

The figures include any liability impact that may have resulted from voluntary benefit changes that occurred after the June 30, 2019 valuation. However, offers of Two Years Additional Service Credit (a.k.a. Golden Handshakes) that occurred after the June 30, 2019 valuation date are not included in the figures above, unless the liability impact is deemed to be material by the plan actuary.

Discount Rate

The discount rate used to measure the total pension liability of the Safety Plan was 7.15%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on those assumptions, the

Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

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

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

	Safety		
Asset Class	Assumed Asset Allocation	Real Return Years 1 - 10 [(a)]	Real Return Years 11+ [(b)]
Global equity	50.00%	4.80%	5.98%
Fixed income	28.00	1.00	2.62
Inflation assets	—	0.77	1.81
Private equity	8.00	6.30	7.23
Real estate	13.00	3.75	4.93
Liquidity	1.00	—	(0.92)
Total	100.00%		

[(a)] An expected inflation of 2.00% used for this period.

[(b)] An expected inflation of 2.92% used for this period.

Changes in the Net Pension Liability

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

	Safety		
	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability/(Asset)
Balance at June 30, 2020	$ 429,526	$ 320,593	$ 108,933
Changes recognized for the measurement period:			
Service cost	11,066	–	11,066
Interest on the total pension liability	30,547	–	30,547
Changes of benefit terms	211	–	211
Differences between expected and actual experience	536	–	536
Net plan to plan resource movement	–	(164)	164
Contributions from the employer	–	14,619	(14,619)
Contributions from employees	–	3,348	(3,348)
Net investment income	–	16,117	(16,117)
Benefit payments, including refunds of employee contributions	(17,165)	(17,165)	–
Administrative expense	–	(452)	452
Net changes	25,195	16,303	8,892
Balance at June 30, 2021	$ 454,721	$ 336,896	$ 117,825

Differences between expected and actual experience and changes in assumptions are amortized over a closed period equal to the average remaining service life of plan members, which is seven years as of June 30, 2020. 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 Net Pension Liability to Changes in the Discount Rate

The following presents the District's net pension liability for the Safety plan as of the measurement date, calculated using the discount rate of 7.15%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.15%) or 1-percentage-point higher (8.15%) than the current rate (in thousands):

	Safety		
	1.00% Decrease (6.15%)	Current Discount Rate (7.15%)	1.00% Increase (8.15%)
District's net pension liability	$ 182,259	$ 117,825	$ 64,991

Pension Plan Fiduciary Net Position

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

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

For the year ended June 30, 2021, the District recognized pension expense of $22.0 million for the Safety Plan. As of June 30, 2021, 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	$ 4,366	$ 4,204
Differences between expected and actual experience	625	1,962
Net difference between projected and actual earnings on pension plan investments	2,669	—
District contributions subsequent to the measurement date	13,900	—
Total	$ 21,560	$ 6,166

The amounts above are net of outflows and inflows recognized in the 2020-21 measurement period expense.

The $13.9 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, 2022. 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
2022	$ (180)
2023	(1,378)
2024	1,687
2025	1,365

Payable to the Pension Plan

The District's contribution for all members to the Safety Plan for the fiscal year ended June 30, 2021 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, 2021.

<u>Miscellaneous Plan</u>

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, 2021, are summarized as follows:

	Miscellaneous	
Hiring date	Prior to January 1, 2013	On or after January 1, 2013
Benefit formula	2.0% @ 55	2.0% @ 62
Benefit vesting schedule	5 years service	5 years service
Benefit payments	monthly for life	monthly for life
Retirement age: Minimum	50	52
Monthly benefit, as a % of eligible compensation	1.10%	1.00%
Required employee contribution rates	7.00%	7.00%
Required employer contribution rates	20.700%	20.700%

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, 2021, the contributions to the Miscellaneous Plan amounted to $243.4 million.

(Continued)

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

At June 30, 2021, the District reported a net pension liability of $2.4 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, 2020, 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, 2019 rolled forward to June 30, 2020 using standard update procedures. The District’s proportion of the net pension liability was based on the 2019-20 fiscal year employer contributions calculated by CalPERS. At June 30, 2020, the District’s proportion rate was 7.890515%.

For the year ended June 30, 2021, the District recognized pension expense of $457.1 million for the Miscellaneous Plan. At June 30, 2021, 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	$ 121,834	$ —
Difference between projected and actual earnings on pension plan investments	111,366	61,938
Change of assumption	8,965	—
Change in NPL proportion	12,998	46,629
Change in proportion of deferred outflow	7,319	—
Change in proportion of deferred inflow	—	11,560
Difference in contribution	815	54,703
District contributions subsequent to the measurement date	243,447	—
Total	$ 506,744	$ 174,830

The $243.4 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, 2022. 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
2022	$ 27,224
2023	28,785
2024	8,392
2025	24,066

(Continued)

Actuarial Methods and Assumptions

The total pension liability in the June 30, 2019 actuarial valuation was determined using the following actuarial assumptions:

	Miscellaneous
Valuation date	June 30, 2019
Measurement date	June 30, 2020
Actuarial cost method	Entry-Age Normal in accordance with the requirements of GASB 68
Actuarial assumptions	
Discount rate	7.15%
Inflation	2.50%
Salary increases	Varies by entry age and service
Investment rate of return	7.15%
Mortality rate table [1]	Derived using CalPERS' membership data for all funds
Post retirement benefit increase	The lesser of contract COLA or 2.50% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.50% thereafter

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

All other actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the period from 1997 to 2015, including updates to salary increase, mortality and retirement dates. The Experience Study report can be obtained at CalPERS website under Forms and Publications.

Change of Assumptions

There was no change of assumptions.

Discount Rate

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

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

(Continued)

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

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

	Miscellaneous		
Asset Class	Assumed Target Allocation	Real Return Years 1 - 10 [(a)]	Real Return Years 11+ [(b)]
Global equity	50.00%	4.80%	5.98%
Fixed income	28.00	1.00	2.62
Inflation assets	—	0.77	1.81
Private equity	8.00	6.30	7.23
Real assets	13.00	3.75	4.93
Liquidity	1.00	—	(0.92)
Total	100.00%		

[(a)] An expected inflation of 2.00% used for this period.

[(b)] An expected inflation of 2.92% used for this period.

Differences between expected and actual experience and changes in assumptions are amortized over a closed period equal to the average remaining service life of plan members, which is seven years as of June 30, 2020. 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 for the Miscellaneous plan as of the measurement date, calculated using the discount rate of 7.15%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.15%) or 1-percentage-point higher (8.15%) than the current rate (in thousands):

	Miscellaneous		
	1.00% Decrease (6.15%)	Current Discount Rate (7.15%)	1.00% Increase (8.15%)
District's proportionate share of the net pension liability	$ 3,480,705	$ 2,421,053	$ 1,541,595

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, 2021 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, 2021.

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

Plan Description and Benefits Provided

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

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

The Plan's provisions and benefits in effect at June 30, 2021, are summarized as follows:

	CalSTRS	
Hiring date	On or before December 31, 2012	On or after January 1, 2013
Benefit formula	2.0% @ 60	2.0% @ 62
Benefit vesting schedule	5 years service	5 years service
Benefit payments	monthly for life	monthly for life
Retirement age: Minimum	50-55 (30 years of service credit)	55 (5 years of service credit)
Monthly benefit, as a % of eligible compensation	1.1% - 2.4%	1.16% - 2.4%
Required employee contribution rates	10.25%	10.205%
Required employer contribution rates	16.15%	16.15%

Contributions

The District is required to contribute based on an actuarially determined rate using the entry age normal actuarial cost method. The actuarial methods and assumptions used for determining the rate are those adopted by the CalSTRS Teachers' Retirement Board (Board). Required member, employer and state contribution rates are set by the California Legislature and Governor and detailed in Teachers' Retirement Law. Both the member and employer contributions are set as a percentage of employees' earnings.

Assembly Bill (AB 1469) enacted in Chapter 47, Statutes of 2014 is projected to fully fund the CalSTRS Defined Benefit (DB) Program in 32 years through shared contribution among CalSTRS members, employers and the State of California. Contribution increases will be phased in over several years with the first increases taking effect on July 1, 2014. Member contribution increases will be phased in over the next three years and increase by an additional 2.25% of payroll for CalSTRS 2% at 60 members and an additional 1.205% for CalSTRS 2% at 62 members. Effective July 1, 2020, the Board cannot adjust the employer rate by more than 1% in a fiscal year, and the increase to the contribution rate above the 8.25% base contribution rate cannot exceed 12% for a maximum of 20.25%. The Board has limited authority to adjust state contribution rates annually through June 2046 in order to eliminate the remaining unfunded actuarial obligation associated with the 1990 benefit structure. The Board cannot increase the rate by more than 0.50% in a fiscal year, and if there is no unfunded actuarial obligation, the contribution rate imposed to pay for the 1990 benefit structure would be reduced to 0%.

The total employer contribution rate was set to increase to 19.100% of creditable compensation for the 2020–21 fiscal year. However, in July 2019, CalSTRS received additional supplemental contributions from the state to reduce the employers' contribution rate both short term and long term. In order to provide additional short-term rate relief to employers, the California Legislature and the Governor, through the adoption of the 2020 Budget Act, repurposed previous supplemental contributions intended to reduce the employers' unfunded actuarial obligation to provide additional short-term rate relief. The employers' contribution rate has been reduced by 1.03% for fiscal year 2019–20, by 2.95% for fiscal year 2020–21 and by 2.18% for fiscal year 2021–22. As a result, the total employer contribution rate was equal to 17.100% of creditable compensation for the 2019-20 fiscal year and is equal to 16.15% of creditable compensation for the 2020–21 fiscal year. Effective with the 2021–22 fiscal year, the board will have limited authority to adjust the contribution rate to amortize the remaining unfunded actuarial obligation by the 2046 deadline.

For the year ended June 30, 2021, the contributions to the CalSTRS' TRF amounted to $497.7 million.

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

At June 30, 2021, the District reported a net pension liability of $5.4 billion for its proportionate share of the CalSTRS net pension liability. The net pension liability was measured as of June 30, 2020, 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 2019-20 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, 2020, the District's proportion rate was 5.403%.

For the year ended June 30, 2021, the District recognized pension expense of $480.5 million. At June 30, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources (in thousands):

	CalSTRS	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ 9,071	$ 148,811
Difference between projected and actual earnings	326,816	197,037
Change of assumption	502,096	—
Change in NPL proportion	152,109	219,065
Change in proportion of deferred outflow	47,589	—
Change in proportion of deferred inflow	—	45,067
Difference in contribution	16,618	17,082
District contributions subsequent to the measurement date	497,701	—
Total	$ 1,552,000	$ 627,062

The $497.7 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, 2022. 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	CalSTRS Deferred Outflows (Inflows) of Resources
2022	$ 12,061
2023	123,067
2024	205,640
2025	72,051
2026	13,979
2027	439

Actuarial Methods and Assumptions

The total pension liability for the CalSTRS' TRF was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2019, and rolling forward the total pension liability to June 30, 2020. In determining the total pension liability, the financial reporting actuarial valuation used the following actuarial methods and assumptions:

Valuation date	June 30, 2019
Experience study	July 1, 2015 through June 30, 2018
Actuarial cost method	Entry age normal
Investment rate of return*	7.10%
Consumer price inflation	2.75%
Wage growth	3.50%
Post-retirement benefit increases	2.00% simple for defined benefit (annually) maintain 85% purchasing power level for defined benefit not applicable for Defined Benefit Supplement

*Net of investment expenses, but gross of administrative expenses.

Discount Rate

The discount rate used to measure the total pension liability of the CalSTRS' TRF was 7.10%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at statutory contribution rates. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (7.10%) and assuming that contributions and benefit payments and administrative expenses occur mid year. Based on those assumptions, the CalSTRS' TRF fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. The best estimate ranges were developed using capital market assumptions from CalSTRS' general investment consultants as inputs to the process. The actuarial investment rate of return assumption was adopted by the Board in January 2020 in conjunction with the most recent experience study. For each current and future valuation, CalSTRS' independent consulting actuary (Milliman) reviews the return assumption for reasonableness based on the most current capital market assumptions. Best estimates of

20-year geometrically linked real rates of return and the assumed asset allocation for each major asset class as of June 30, 2020, are summarized in the following table:

	CalSTRS	
Asset Class	Assumed Asset Allocation	Long-Term* Expected Real Rate of Return
Public equity	42.00 %	4.80 %
Real estate	15.00	3.60
Private equity	13.00	6.30
Fixed income	12.00	1.30
Risk mitigating strategies	10.00	1.80
Inflation sensitive	6.00	3.30
Cash/liquidity	2.00	(0.40)
	100.00 %	

* 20-year average

Differences between expected and actual experience and changes in assumptions are amortized over a closed period equal to the average remaining service life of plan members, which is seven years as of June 30, 2020. Deferred outflows and inflows related to differences between projected and actual earnings on plan investments are netted and amortized over a closed 5-year period.

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

The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.10%, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.10%) or 1-percentage-point higher (8.10%) than the current rate (in thousands):

	CalSTRS		
	1.00% Decrease (6.10%)	Current Discount Rate (7.10%)	1.00% Increase (8.10%)
District's proportionate share of the net pension liability	$ 7,910,856	$ 5,396,309	$ 3,027,517

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued CalSTRS financial report. Copies of the CalSTRS annual financial report may be obtained from California State Teachers' Retirement System, P.O. Box 15275, Sacramento, CA 95851-0275.

Payable to the Pension Plan

The District's contribution for all members to the CalSTRS' TRF for the fiscal year ended June 30, 2021 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, 2021.

(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, 2021, there are 47,128 District employees covered under PARS.

Benefit terms and other requirements are established by District management based on agreements with various bargaining units. PARS is a defined contribution qualified retirement plan under Section 401 (a) of the Internal Revenue Code.

The minimum total contribution is 7.50% of employees' salaries, of which the District and the employees contribute 3.75% each. For the year ended June 30, 2021, the District recognized pension expense of $7.3 million. The District does not have any forfeited amounts.

The District's contributions for all members for the fiscal years ended June 30, 2021, 2020, and 2019 were in accordance with the required contributions.

Employees are vested 100% in both employer and employee contributions from the date of membership. When separated from employment, all employees can choose to receive their funds in lump sum or leave it on deposit until the mandatory age of 70 ½ when they must get a distribution.

Postemployment Benefits – Health and Welfare for Retirees

Plan Description

The District contributes to an agent multiple-employer plan. The plan provides other postemployment health care benefits in accordance with collective bargaining unit agreements and Board rules. Certificated and classified employees who retire from the District receiving a CalSTRS/CalPERS retirement allowance (for either age or disability) may be eligible to continue coverage under the District-sponsored hospital/medical, dental, and vision plans which cover both active and retired members and their eligible dependents. The following are the eligibility requirements:

a. Those hired prior to March 11, 1984 must have served a minimum of five consecutive qualifying years immediately prior to retirement.

b. Those hired from March 11, 1984 through June 30, 1987 must have served a minimum of 10 consecutive qualifying years immediately prior to retirement.

c. Those hired from July 1, 1987 through May 31, 1992 must have served a minimum of 15 consecutive qualifying years immediately prior to retirement, or served 10 consecutive qualifying years immediately prior to retirement plus an additional previous 10 years which are not consecutive.

d. Those hired from June 1, 1992 through February 28, 2007 must have at least 80 years combined total of qualifying service and age. For those employees that have a break in service, this must include 10 consecutive years immediately prior to retirement.

e. Those hired from March 1, 2007 through March 31, 2009 must have at least 80 years combined total of qualifying service and age. In addition, the employee must have 15 consecutive years of qualifying service immediately prior to retirement.

f. Those hired on or after April 1, 2009, except School Police, must have at least 85 years combined total of qualifying service and age. In addition, the employee must have a minimum of 25 consecutive years of qualifying service immediately prior to retirement.

g. School Police (sworn personnel) hired on or after April 1, 2009 must have at least 80 years combined total of qualifying service and age. In addition, the employee must have a minimum of 20 consecutive years of qualifying service immediately prior to retirement.

h. Associated Administrators of Los Angeles (AALA) Certificated employees, Service Employees International Union (SEIU) hired on or after July 1, 2018, and California School Employees Association (CSEA) members hired on or after September 1, 2018 must have at least 87 years combined total of qualifying service and age. In addition, the employee must have a minimum of 30 consecutive years of qualifying service immediately prior to retirement.

Qualifying years of service consist of school years in which an employee was in “paid status” for at least 100 full-time days and eligible for District-sponsored health care benefits.

To receive retiree health care benefits, an individual must:

a. Be eligible for active health care benefits at the date of retirement.

b. Retire in accordance with the eligibility rules of the applicable retirement system (CalSTRS or CalPERS).

c. Receive a monthly pension payment from the state retirement system (CalSTRS or CalPERS).

d. Comply with the Medicare requirements of the District plans. Lack of Medicare does not impact dental or vision coverage.

Eligible dependents are also covered for the life of the retiree. Upon the retiree’s death, eligible dependents may continue coverage under the plan but will generally have to pay 100% of premium and plan costs.

Employees Covered

As of June 30, 2021 actuarial valuation, the following current and former employees were covered by the benefit terms under the District's OPEB Plan:

Active employees	60,601
Inactive employees or beneficiaries currently receiving benefits	38,634
Inactive employees entitled to, but not yet receiving benefits	134
Total	99,369

Contributions

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

Moreover, the District established in fiscal year 2013-14 an irrevocable other postemployment benefits (OPEB) trust with CalPERS – California Employers' Retiree Benefit Trust (CERBT) to address its fiscal obligation in relation to its OPEB liability. Contributions to the OPEB trust will be calculated annually and are governed by the District's Budget and Finance Policy wherein such contributions will be subject to maintaining an Unrestricted General Fund balance of 5.00% of the unrestricted revenue.

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

For fiscal year 2020-21, the District contributed a total of $231.2 million to the OPEB Plan.

Net OPEB Liability

The District's net OPEB liability of $11.1 billion at June 30, 2021 is measured as the total OPEB liability, less the OPEB plan's fiduciary net position. All information provided is based on the census data, actuarial assumptions, and plan provisions used in the June 30, 2019 actuarial valuation report (dated February 2020), which are assumed to continue to be appropriate, except for the Changes of Benefit Terms and Changes of Assumptions which are reflected in the June 30, 2020 actuarial valuation, and noted below. The total OPEB liability in the June 30, 2020 actuarial valuation was determined using the following actuarial assumptions:

(Continued)

Valuation date	July 1, 2020
Measurement date	June 30, 2020
Actuarial cost method	Entry Age Normal Cost
Discount rate	2.30%
Payroll growth	2.75% per annum
Salary increases	1997-2015 CalPERS Experience Study
Investment rate of return	7.30%
Mortality rate	Based on the Pub-2010 headcount-weighted tables for general employees, teachers and safety employees, with generational future improvement scale MP-2019
Pre-retirement turnover[1]	Turnover rates used in the most recent CalSTRS valuation and developed in the 1997-2015 CalPERS Experience Study, as applicable.
Healthcare trend rate	Non-Medicare Advantage Plans Pre-65 [7.33% - 4.50%]; Post 65 [9.24% - 4.50%] Medicare Advantage Plans Post 65 Kaiser [8.71% - 4.50%]; Anthem PPO [9.68% - 4.50%]; Health Net/Anthem EPO [8.71% - 4.50%] Dental & Vision - 5.00%

(1)The Experience Study reports may be accessed on the CalPERS website www.calpers.ca.gov under Forms and Publications.

Changes of Assumptions

During the measurement period ended June 30, 2020, the following assumptions were changed from the prior valuation:

1. Assumed contributions are based on the current contribution policy of the Plan Sponsor, namely:
   a. Contributions from members will continue based on the current cost sharing provisions; and
   b. Contributions from LAUSD will continue to follow the current funding policy of Pay-As-You-Go annual premiums/claims. No additional pre-funding contributions are assumed to be made.
2. Projected benefit payments have been determined in accordance with Paragraphs 30-35 of GASB
3. Statement No. 75, and are based on the closed group of active, retired members and beneficiaries as of June 30, 2019. Benefit payments are assumed to be paid mid-year.
4. Administrative expenses are $0.2 million for 2021. Expenses are assumed to be paid mid-year.
5. Projected investment earnings are based on the assumed investment rate of return of 7.30% per annum.

Discount Rate

The discount rate is based on a single equivalent rate that reflects a blend of expected return on assets during the period such that assets are projected to be sufficient to pay benefits of current participants; and 20-year municipal bond yields/index for periods beyond the depletion of the assets.

Based on the District's current funding policy, projected cash flows, and the assumed asset return, the plan assets are projected to be depleted in 2028. This results in a single equivalent rate of 2.3% as of July 1, 2020, which reflects the assumed asset return until asset depletion and municipal bond rates thereafter. The municipal bond rate is based on the Bond Buyer General Obligation 20-Bond Municipal Bond Index and the rate was 2.21% as of July 1, 2020.

The long-term expected rate of return on OPEB plan investments was based on CalPERS' expected return for California Employers' Retirement Benefit Trust Strategy 1.

The table below reflects long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation.

Asset class	Assumed asset allocation	Long-Term Geometric Expected Real Rate of Return [a]	Real return years 11+ [b]
Global equity	59.00%	4.80%	5.98%
Global debt securities	25.00	1.10	2.62
Inflation assets	5.00	0.25	1.46
REITs	8.00	3.20	5.00
Commodities	3.00	1.50	2.87
Total	100.00%		

[a] An expected inflation of 2.00% used for this period.

[b] An expected inflation of 2.92% used for this period.

Changes in the OPEB Liability

The changes in the net OPEB liability for the plan are as follows (in thousands):

	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a-b)
Beginning Balance, June 30, 2020 (Based on 06/30/2019 Measurement Date)	$ 8,989,783	$ 411,631	$ 8,578,152
Changes recognized for the fiscal year			
Service cost	291,399	—	291,399
Interest on the total OPEB liability	330,177	—	330,177
Changes of benefit terms	—	—	—
Changes of assumptions	2,098,757	—	2,098,757
Differences between expected and actual experience	—	—	—
Benefit payments	(221,166)	(221,166)	—
Contributions – employer	—	221,166	(221,166)
Net investment income	—	14,563	(14,563)
Other expenses – administrative expense	—	(205)	205
Net changes	2,499,167	14,358	2,484,809
Ending Balance, June 30, 2021 (Based on 06/30/2020 Measurement Date)	$11,488,950	$ 425,989	$ 11,062,961

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate

The following table illustrates the impact of interest rate sensitivity on the Net OPEB Liability of the District if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate for fiscal year ended June 30, 2021 (in thousands):

	1.00% Decrease (1.30%)	Current Discount Rate (2.30%)	1.00% Increase (3.30%)
Net OPEB liability	$ 13,153,906	$ 11,062,961	$ 9,397,010

Sensitivity of the Net OPEB Liability to Changes in the Health Care Cost Trend Rates

The following presents the net OPEB liability of the District if it were calculated using health care cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current rate, for measurement period ended June 30, 2021 (in thousands):

	1.00% Decrease	Trend Rate	1.00% Increase
Net OPEB liability	$ 8,981,140	$ 11,062,961	$ 13,829,177

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

For the fiscal year ended June 30, 2021, the District recognized a decrease in OPEB expense of $130.3 million. At June 30, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources (in thousands):

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual earnings on OPEB plan investments	$ 13,665	$ —
Changes of assumptions	1,805,635	2,727,679
Difference between expected and actual experience	—	845,791
District contributions subsequent to the measurement date	231,192	—
Total	$ 2,050,492	$ 3,573,470

The table below lists the amortization bases included in the deferred outflows/inflows as of June 30,2021 (in thousands):

Date Established	Type of Base	Period Original	Period Remaining	Balance Original	Balance Remaining	Annual Amortization
6/30/2020	Asset (gain)/loss	5.00	4.00	$ 16,664	$ 13,331	$ 3,333
6/30/2020	Assumptions	7.16	6.16	2,098,757	1,805,635	293,122
6/30/2019	Liability (gain)/loss	7.25	5.25	(1,167,998)	(845,792)	(161,103)
6/30/2019	Asset (gain)/loss	5.00	3.00	4,258	2,555	852
6/30/2019	Assumptions	7.25	5.25	(1,965,158)	(1,423,046)	(271,056)
6/30/2018	Asset (gain)/loss	5.00	2.00	(1,759)	(703)	(352)
6/30/2018	Assumptions	7.33	4.33	(580,167)	(342,718)	(79,150)
6/30/2017	Asset (gain)/loss	5.00	1.00	(7,587)	(1,517)	(1,517)
6/30/2017	Assumptions	7.50	3.50	(2,061,247)	(961,915)	(274,833)
	Total charges				$ (1,754,170)	$ (490,704)

The $231.2 million reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2022.

Amounts recognized in the deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in the OPEB expense as follows (in thousands):

Year ended June 30		Deferred Outflows (Inflows) of Resources
2022	$	(490,704)
2023		(489,187)
2024		(488,835)
2025		(352,270)
2026		(165,156)
Thereafter		231,982

(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 provides $500.0 million limit above a $1.0 million self-insured retention. Excess insurance has been purchased for general liability, which currently provides $35.0 million limit above a $5.0 million self-insurance retention. No settlements exceeded insurance coverage in the last five fiscal years that ended June 30, 2021.

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 $102.0 million have been underwritten by six 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 $50.0 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, 2021, the amount of the total claims liabilities recorded for health and welfare, workers' compensation, and liability self-insurance was $609.8 million. Changes in the reported liabilities since July 1, 2019 are summarized as follows (in thousands):

	Beginning of Fiscal Year Liability	Current Year Claims and Changes in Estimates	Claim Payments	End of Fiscal Year Liability
2020-2021				
Health and welfare benefits	$ 19,924	$ 238,175	$ (237,055)	$ 21,044
Workers' compensation self-insurance	479,992	3,069	(79,416)	403,645
Liability self-insurance	170,680	26,231	(11,759)	185,152
Total	$ 670,596	$ 267,475	$ (328,230)	$ 609,841
2019-2020				
Health and welfare benefits	$ 22,009	$ 214,708	$ (216,793)	$ 19,924
Workers' compensation self-insurance	442,654	124,537	(87,199)	479,992
Liability self-insurance	138,339	100,307	(67,966)	170,680
Total	$ 603,002	$ 439,552	$ (371,958)	$ 670,596

(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, 2021 are as follows (in thousands):

COP Issue	Sale Date	Original Principal Amount	Outstanding June 30, 2021	Interest Rates to Maturity Min	Interest Rates to Maturity Max	Final Maturity
2012A Refunding Headquarters Building Projects	6/12/2012	$ 87,845	$ 33,375	3.750	5.000	2031
2012B Refunding Headquarters Building Projects	6/12/2012	72,345	69,205	3.000	5.000	2031
2020A Refunding	10/27/2020	28,390	28,390	2.250	5.000	2034
			$ 130,970 *			

* The total amount shown above excludes net unamortized premium of $8.5 million.

Other Leasing Arrangements

The District has entered into various lease agreements ranging from four to five years to finance the acquisition of office equipment. These lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of their future minimum lease payments as of the inception date. The future minimum lease payments (principal plus interest) and the net present value of these minimum lease payments (principal only) are detailed in Note 12 – Long-Term Obligations.

The District's operating leases consist of various leased facilities. The leased facilities have varying terms ranging from one year to 80 years. Some leases are month to month and year to year. The leases expire over the next 62 years subject to renewal option provisions.

The total expenditure for all operating leases amounted to $9.3 million in fiscal year 2020-21. The future minimum commitments for noncancelable operating lease of the District as of June 30, 2021 are as follows (in thousands):

Fiscal year ending	Amount
2022	$ 6,879
2023	6,074
2024	5,630
2025	5,802
2026	3,629
2027/2031	15,728
2032/2036	18,934
2037/2041	21,756
2042/2046	12,677
2047/2051	14,580
2052/2056	16,879
2057/2061	19,681
2062/2066	23,127
2067/2071	27,406
2072/2076	32,763
2077/2081	39,525
2082/2086	16,700
	$ 287,770

(12) Long-Term Obligations

The following is a summary of changes in long-term obligations for the year ended June 30, 2021 (in thousands):

	Balance July 1, 2020	Additions	Deductions	Other Changes**	Balance, June 30, 2021	Due Within One Year	Interest Expense
General Obligation Bonds*	$ 11,408,196	$ 1,555,370	$ 1,314,825	$ 120,105	$ 11,768,846	$ 668,090	$ 405,121
Certificates of Participation (Note 11)*	168,430	28,390	61,850	4,547	139,517	11,906	4,943
Capital lease obligations	186	–	93	–	93	73	10
Children center facilities revolving loan	80	–	80	–	–	–	–
Liability for compensated absences	90,595	83,981	66,290	–	108,286	4,359	–
Liability for other employee benefits	39,552	–	5,881	–	33,671	3,284	–
Self-Insurance claims (Note 10)	670,596	267,475	328,230	–	609,841	226,933	–
Total	$ 12,377,635	$ 1,935,216	$ 1,777,249	$ 124,652	$ 12,660,254	$ 914,645	$ 410,074

* 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		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2022	$ 529,405	$ 526,983	$ 10,333	$ 6,123	$ 539,738	$ 533,106
2023	530,910	504,492	10,717	5,600	541,627	510,092
2024	547,430	478,184	10,488	5,076	557,918	483,260
2025	564,360	450,689	10,410	4,561	574,770	455,250
2026	867,080	419,397	11,140	4,031	878,220	423,428
2027-2031	3,164,225	1,594,269	60,630	11,384	3,224,855	1,605,653
2032-2036	3,030,150	722,252	17,345	678	3,047,495	722,930
2037-2041	957,705	250,613	—	—	957,705	250,613
2042-2046	673,290	56,291	—	—	673,290	56,291
	$ 10,864,555	$ 5,003,170	$ 131,063	$ 37,453	$ 10,995,618	$ 5,040,623

The General Obligation (GO) Bonds outstanding balance as of June 30, 2021 consists of the following (in thousands):

Bond Issue	Sale Date	Original Principal Amount	Outstanding June 30, 2021		Interest Rates to Maturity Min	Interest Rates to Maturity Max	Final Maturity
KRY (2009-BAB) [a]	10/15/2009	$ 1,369,800	$ 1,369,800		5.750%	5.755%	2034
Election of 2005, H (2009)	10/15/2009	318,800	318,800		1.540	1.540	2025
RY (2010-BAB) [a]	3/4/2010	1,250,585	1,250,585		6.758	6.758	2034
Election of 2005, J-1 (2010) [c]	5/6/2010	190,195	190,195	(b)	5.981	5.981	2027
Election of 2005, J-2 (2010) [c]	5/6/2010	100,000	100,000	(b)	5.720	5.720	2027
2011A-1 Refunding	11/1/2011	206,735	52,305		4.000	5.000	2023
2011A-2 Refunding	11/1/2011	201,070	131,825		5.000	5.000	2021
2012A Refunding	5/8/2012	156,000	79,965		2.000	5.000	2028
2014A Refunding	6/26/2014	196,850	39,990		5.000	5.000	2022
2014B Refunding	6/26/2014	323,170	126,165		5.000	5.000	2026
2014C Refunding	6/26/2014	948,795	767,245		3.000	5.000	2031
2014D Refunding	6/26/2014	153,385	115,040		5.000	5.000	2030
2015A Refunding	5/28/2015	326,045	218,260		5.000	5.000	2025
Election of 2008, A (2016)	4/5/2016	648,955	377,985		3.500	5.000	2040
2016A Refunding	4/5/2016	577,400	267,465		5.000	5.000	2030
2016B Refunding	9/15/2016	500,855	498,240		2.000	5.000	2032
2017A Refunding	5/25/2017	1,080,830	1,034,695		2.000	5.000	2027
Election of 2005, Series M-1 (2018)	3/8/2018	117,005	111,265		3.000	5.250	2042
Election of 2008, Series B-1 (2018)	3/8/2018	1,085,440	1,034,935		4.000	5.250	2042
2019A Refunding	5/29/2019	594,605	545,295		3.000	5.000	2034
Series RYQ (2020)	4/30/2020	942,940	829,000		4.000	5.000	2044
2020A Refunding	10/6/2020	302,000	302,000		3.000	5.000	2033
Measure Q, Series C (2020)	11/10/2020	1,057,060	907,190		3.000	5.000	2045
2021A Refunding	4/29/2021	196,310	196,310		4.000	5.000	2032
			$ 10,864,555	*			

* The total amount shown above excludes unamortized premium and discount of $904.3 million.

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

(b) Includes accumulated set-aside deposits for Qualified School Construction Bonds totaling $154.87 million representing $69.76 million for Election of 2005, H (2009) (Tax Credit Bonds) and $85.11 million for Election of 2005, J-1 and J-2 (2010) (Federally Taxable Direct Subsidy Bonds).

(c) Issued as qualified school construction bonds, a taxable bond program in which the federal government initially subsidized interest as if such bonds bore interest at the applicable federal rate for such bonds of 5.72% per annum.

On October 6, 2020, the District issued $302.0 million of 2020 General Obligation Refunding Bonds, Series A (Dedicated Unlimited Ad Valorem Property Tax Bonds) to refund the outstanding General Obligation Bonds, Series KRY (2010) with an outstanding par amount of $379.7 million. The Refunding Bonds received ratings of "AA+", "AAA", and "Aa3" from Fitch, KBRA, and Moody's, respectively. The refunding generated net present value savings of $124.1 million or 32.7% of the refunded bonds.

On October 27, 2020, the District issued $28.4 million of Refunding Certificates of Participation, 2020 Series A. The Refunding COPs proceeds, together with other available funds, were used to refund the 2010 Series B-1 and B-2 COPs and prepay a lease that was executed in 2013. The Refunding COPs received a rating of "A2" from Moody's and the portion of the Refunding COPs that were insured by the Build America Mutual Assurance Corporation ("BAM") were rated "AA" from S&P. The refunding resulted in net present value savings of $7.7 million or 18.1% of the refunded COPs.

On November 10, 2020, the District issued $1.057 billion of new money General Obligation Bonds, Measure Q, Series C (2020) (Dedicated Unlimited Ad Valorem Property Tax Bonds). The Bonds were rated "AA+" from Fitch, "AAA" from KBRA and "Aa3" from Moody's. The Bonds were issued to finance school modernization and IT projects.

On April 29, 2021, the District issued $196.31 million of 2021 General Obligation Refunding Bonds, Series A (Dedicated Unlimited *Ad Valorem* Property Tax Bonds) to refund bonds originally issued in 2011 and 2016 that had an aggregate par amount of $240.1 million. The Refunding Bonds were sold via competitive bid with ratings of "AA+" from Fitch with a Negative Outlook, "AAA" from KBRA with a Stable Outlook, and "Aa3" from Moody's with a Stable Outlook. The refunding generated net present value savings of $64.48 million or 26.86% of the refunded bonds.

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, 2021, there was no positive arbitrage rebate or yield restriction liability accrued.

Debt Liquidation

Payments on the General Obligation Bonds and Certificates of Participation are made through the debt service funds. The employee benefits liability for retirement bonus are all paid out of the General Fund, while the compensated absences portion are liquidated from different governmental funds and proprietary funds. In fiscal year 2021, approximately 92% of compensated absences has been paid by the General Fund, 7% by the District Bonds Fund, and 1% by the proprietary funds.

The self-insurance claims and other postemployment benefits are generally liquidated through the internal service funds, which finance the payment of those claims and benefits by charging user funds. The General Fund assumes 100% of liability self-insurance claims. For workers' compensation and health benefit claims, including retiree health benefits, the General Fund currently bears approximately 89% of the cost, the Cafeteria Fund carries 6%; and the Child Development Fund carries 3%; no other individual fund is charged more than 3% of the total amount.

(13) 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, 2021 were as follows (in thousands):

From	To	Purpose	Amount
General Fund	Adult Education Fund	Transfer of balance	$ 4,340
General Fund	Child Development Fund	Child development support	17,125
General Fund	Cafeteria Fund	Reimbursement of expenditures	136
General Fund	Building Fund – Measure K	Reimbursement of capital expenditures	51
General Fund	Building Fund – Measure Y	Reimbursement of capital expenditures	222
General Fund	Building Fund – Measure Q	Reimbursement of capital expenditures	88
General Fund	Building Fund – Measure Q	Reimbursement of capital expenditures	110
General Fund	Capital Services Fund	Debt service	16,093
Adult Education Fund	General Fund	Reimbursement of expenditures	6
Child Development Fund	General Fund	Reimbursement of expenditures	14
Building Fund – Measure R	Building Fund – Measure Y	Reimbursement of capital expenditures	3
Building Fund – Measure R	Building Fund – Measure Q	Reimbursement of capital expenditures	45,646
Building Fund – Measure R	County School Facilities - Prop 47	Reimbursement of capital expenditures	13
Building Fund – Bond Proceeds	Building Fund – Measure Q	Reimbursement of capital expenditures	8
Building Fund – Measure K	General Fund	Reimbursement of capital expenditures	0
Building Fund – Measure K	Building Fund – Measure R	Reimbursement of capital expenditures	393
Building Fund – Measure K	Building Fund – Measure Y	Reimbursement of capital expenditures	341
Building Fund – Measure K	Building Fund – Measure Q	Reimbursement of capital expenditures	13
Building Fund – Measure K	County School Facilities - Prop 47	Reimbursement of capital expenditures	1
Building Fund – Measure K	Special Reserve Fund	Reimbursement of capital expenditures	12
Building Fund – Measure Y	General Fund	Reimbursement of capital expenditures	52
Building Fund – Measure Y	Building Fund – Measure R	Reimbursement of capital expenditures	1,556
Building Fund – Measure Y	Building Fund – Measure K	Reimbursement of capital expenditures	2,296
Building Fund – Measure Y	Building Fund – Measure Q	Reimbursement of capital expenditures	43,433
Building Fund – Measure Y	County School Facilities - Prop 47	Reimbursement of capital expenditures	101
Building Fund – Measure Y	Special Reserve Fund	Reimbursement of capital expenditures	11
Building Fund – Measure Q	General Fund	Reimbursement of capital expenditures	17,259
Building Fund – Measure Q	Building Fund – Measure R	Reimbursement of capital expenditures	15
Building Fund – Measure Q	Building Fund – Measure K	Reimbursement of capital expenditures	50
Building Fund – Measure Q	Building Fund – Measure Y	Reimbursement of capital expenditures	90
Building Fund – Measure Q	Capital Facilities Fund	Reimbursement of capital expenditures	5,000
Building Fund – Measure Q	County School Facilities - Prop 47	Reimbursement of capital expenditures	26,307
Building Fund – Measure Q	Special Reserve Fund	Reimbursement of capital expenditures	76
Capital Facilities Fund	Building Fund – Measure Y	Reimbursement of capital expenditures	39
Capital Facilities Fund	Building Fund – Measure Q	Reimbursement of capital expenditures	97,315
Capital Facilities Fund	County School Facilities - Prop 47	Reimbursement of capital expenditures	19
County School Facilities - Prop 47	Building Fund – Measure R	Reimbursement of capital expenditures	497
County School Facilities - Prop 47	Building Fund – Measure K	Reimbursement of capital expenditures	69,461
County School Facilities - Prop 47	Building Fund – Measure Y	Reimbursement of capital expenditures	87
County School Facilities - Prop 47	Building Fund – Measure Q	Reimbursement of capital expenditures	5,242
County School Facilities - Prop 47	Capital Facilities Fund	Reimbursement of capital expenditures	1
Capital Services Fund	General Fund	Debt service	675
Special Reserve Fund – CRA	General Fund	Reimbursement of capital expenditures	20,000
Special Reserve Fund	Building Fund – Measure R	Reimbursement of capital expenditures	48
Special Reserve Fund	Building Fund – Measure K	Reimbursement of capital expenditures	205
Special Reserve Fund	Building Fund – Measure Q	Reimbursement of capital expenditures	2,825
Special Reserve Fund	Capital Services Fund	Debt service	320
Health & Welfare Fund	General Fund	Transfer of balance	227,000
Total			$ 604,595

(14) Fund Equity

The following is a summary of nonspendable, restricted, assigned, and unassigned fund balances at June 30, 2021 (in thousands):

	General	District Bonds	Bond Interest and Redemption	Other Governmental
Nonspendable:				
Revolving cash and imprest funds	$ 2,834	$ 396	$ —	$ 17
Inventories	32,798	—	—	24,090
Prepaids	22,331	223	—	42
Total Nonspendable Balances	57,963	619	—	24,149
Restricted for:				
Child Nutrition: School Programs	—	—	—	64,872
Child Development: Corona Virus Response	—	—	—	4,022
Medi-Cal Billing Options	2,428	—	—	—
FEMA Public Assistance Funds	8	—	—	2,374
California Clean Energy Jobs Act	5,478	—	—	—
Special Education	1,646	—	—	—
Special Education: Early Education Individuals with Exceptional Needs (Infant Program)	189	—	—	—
Classified Employee Professional Development Block Grant	3,578	—	—	—
SB 117 Covid-19 LEA Response Funds	5,486	—	—	—
Capital Facilities Account	—	—	—	102,195
State School Facilities Projects	—	—	—	6,172
County Shool Facilities Funds	—	—	—	89,221
Special Reserve	—	—	—	86,328
Adult Education Block Grant Program	—	—	—	24,433
Calworks	—	—	—	780
Debt Service Reserve	—	—	1,224,323	—
District Bonds	—	1,556,335	—	—
Expanded Learning Opportunities	168,115	—	—	—
Other Federal	4,735	—	—	—
Other State - Adult Education	—	—	—	4,568
Other Local	8,254	—	—	—
Student Activity Funds	—	—	—	41,194
Tax Override	—	—	—	418
Special Reserve - Community Redelopment Agency	—	—	—	120,796
Capital Services	—	—	—	16,030
Total Restricted Balances	199,917	1,556,335	1,224,323	563,403
Assigned to:				
Subsequent year expenditures	1,064,146	—	—	21,250
Unassigned:				
Reserved for economic uncertainties	91,990	—	—	—
Unassigned	1,441,273	—	—	—
Total Fund Balances	$ 2,855,289	$ 1,556,954	$ 1,224,323	$ 608,802

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

(Continued)

purpose unless the governing board removes or changes the specific use through formal action. Governing board action to commit fund balance needs to occur within the fiscal reporting period, no later than June 30. The amount which will be committed can be determined subsequently but prior to the release of the District's financial statements.

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

Unassigned fund balances represent all other spendable amounts.

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

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the District considers restricted funds to have been spent first. When an expenditure is incurred for which amounts in any of the unrestricted classifications of fund balance could be used, the District considers assigned amounts to be reduced first, before the unassigned amounts.

Minimum Fund Balance Policy

As part of the Budget and Finance Policy, the governing board has adopted a minimum fund balance policy for the General Fund in order to avoid the need for service level reductions in the event that an economic downturn causes revenues to be substantially lower than what was budgeted. The policy requires the District to maintain a reserve for economic uncertainty consisting of unassigned amounts equal to at least 1% of total General Fund expenditures and other financing uses. In the event that the District must expend all or part of this reserve, the District will identify and implement a budgetary plan to replenish this reserve the following year. This reserve may be adjusted based on changes to legal requirement.

It is also a policy that the total General Fund balance be maintained at a minimum level of 5% of total General Fund expenditures and Other Financing Uses. In the event that the General Fund balance falls below this level, all one-time monies will be set-aside until the 5% minimum reserve threshold is met. In addition, other recommendations may be developed to restore reserve balances.

(15) Contingencies and Commitments

(a) General

The District, as well as current and former Board Members and employees to whom the District has 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 cease its Covid mitigating measures (e.g., vaccine mandate, masking, testing, etc.), to reinstate terminated, demoted, suspended, and laid-off employees, to remedy alleged noncompliance regarding special education services/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 2020-2021 the District entered into approximately 45 contracts with a combined value of $908.8 million. The durations of the contracts range from 60 days to six years.

(16) Subsequent Events

On October 27, 2021, the District issued $494.1 million of new money General Obligation Bonds, Series RYRR (Dedicated Unlimited Ad Valorem Property Tax Bonds) and $48.9 million of 2021 General Obligation Refunding Bonds, Series B (Dedicated Unlimited Ad Valorem Property Tax Bonds) to refund the outstanding General Obligation Bonds, Series A (2012) with an outstanding par amount of $46.37 million. The new money and refunding bonds received ratings of "AA+" from Fitch with a Stable Outlook, "AAA" from KBRA with a Stable Outlook, and "Aa3" from Moody's with a Stable Outlook. In conjunction with this bond sale, Fitch revised its Rating Outlook to Stable from Negative. The new money bonds were issued to finance certain school facilities projects. The refunding generated net present value savings of $5.66 million or 12.21% of the refunded bonds.

REQUIRED SUPPLEMENTARY INFORMATION

LOS ANGELES UNIFIED SCHOOL DISTRICT
Required Supplementary Information
Schedule of Changes in the Net OPEB Liability and Related Ratios*

For the Year Ended June 30, 2021
(Dollar amounts in thousands)
(unaudited)

	2017-2018	2018-2019	2019-2020	2020-2021
Total OPEB Liability				
Service cost	$ 634,089	$ 523,203	$ 380,844	$ 291,399
Interest on the total OPEB liability	490,582	561,040	460,486	330,177
Differences between expected and actual experience	—	—	(1,167,998)	—
Changes of benefit terms	—	(3,842,546)	(1)	—
Changes of assumptions	(2,061,247)	(580,166)	(1,965,158)	2,098,757
Benefit payments	(264,763)	(305,521)	(287,040)	(221,166)
Net change in total OPEB liability	(1,201,339)	(3,643,990)	(2,578,867)	2,499,167
Total OPEB liability – beginning	16,413,979	15,212,640	11,568,650	8,989,783
Total OPEB liability – ending (a)	$ 15,212,640	$ 11,568,650	$ 8,989,783	$ 11,488,950
Plan fiduciary net position				
Contributions – employer	$ 342,763	$ 425,521	$ 287,040	$ 221,166
Net investment income	20,995	23,893	23,970	14,563
Benefit payments	(264,763)	(305,521)	(287,040)	(221,166)
Administrative expense	(103)	(172)	(190)	(205)
Net change in plan fiduciary net position	98,892	143,721	23,780	14,358
Plan fiduciary net position – beginning	145,238	244,130	387,851	411,631
Plan fiduciary net position – ending (b)	244,130	387,851	411,631	425,989
Net OPEB liability – ending (a) - (b)	$ 14,968,510	$ 11,180,799	$ 8,578,152	$ 11,062,961
Plan fiduciary net position as a percentage of the total OPEB liability	1.60%	3.35%	4.58%	3.71%
Covered – employee payroll	$ 3,905,000	$ 3,728,000	$ 4,062,000	$ 4,174,000
Net OPEB liability as percentage of covered – employee payroll	383.32%	299.91%	211.18%	265.04%

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

Schedule of Contributions
For the Year Ended June 30, 2021

Not applicable – Funding is not based on actuarially determined contributions and contributions are neither statutorily or contractually established.

See accompanying independent auditor's report.

LOS ANGELES UNIFIED SCHOOL DISTRICT
Required Supplementary Information
Schedule of Changes in the Net Pension Liability and Related Ratios *
Agent Multiple-Employer Defined Benefit Pension Plan
California Public Employees' Retirement System (CalPERS) – Safety Plan
For the Year Ended June 30, 2021
(Dollar amounts in thousands)
(unaudited)

	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 of assumptions	—	(5,860)
Changes of benefit terms	—	—
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 – employees	2,717	2,825
Net investment income (net of administrative expenses)	37,066	5,185
Benefit payments, including refunds of employee contributions	(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 seven years are shown.

See accompanying independent auditor’s report.

	2016-2017	2017-2018	2018-2019	2019-2020	2020-2021
	$ 8,861	$ 10,331	$ 10,073	$ 10,054	$ 11,066
	25,394	26,815	27,428	28,862	30,547
	11,191	(1,831)	(2,039)	(1,660)	536
	—	23,771	(11,622)	—	—
	—	—	—	—	211
	(13,653)	(14,041)	(15,498)	(16,060)	(17,165)
	31,793	45,045	8,342	21,196	25,195
	323,150	354,943	399,988	408,330	429,526
	$ 354,943	$ 399,988	$ 408,330	$ 429,526	$ 454,721
	8,701	9,711	10,746	12,751	14,619
	3,064	3,352	3,291	3,505	3,348
	1,196	28,500	22,418	19,647	15,665
	(13,653)	(14,041)	(15,498)	(16,060)	(17,165)
	(3)	(15)	(176)	(307)	(164)
	(695)	27,507	20,781	19,536	16,303
	253,464	252,769	280,276	301,057	320,593
	252,769	280,276	301,057	320,593	336,896
	$ 102,174	$ 119,712	$ 107,273	$ 108,933	$ 117,825
	71.21%	70.07%	73.73%	74.64%	74.09%
	$ 31,786	$ 33,239	$ 33,381	$ 33,097	$ 34,582
	321.45%	360.16%	321.36%	329.14%	340.72%

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, 2021
(Dollar amounts in thousands)
(unaudited)

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

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

Valuation date	6/30/2012	6/30/2013	6/30/2014	6/30/2015
Actuarial cost method	Entry Age Normal Cost Method	Entry Age Normal Cost Method	Entry Age Normal Cost Method	Entry Age Normal Cost Method
Amortization method	Level Percent of Payroll	Level Percent of Payroll	Level Percent of Payroll	Level Percent of Payroll
Asset valuation method	15 Year Smoothed Market	Market Value of Assets	Market Value of Assets	Market Value of Assets
Inflation	2.75% compounded annually	2.75% compounded annually	2.75% compounded annually	2.75% compounded annually
Salary increases	Varies by entry age and service	3.3% to 14.2% depending on age, service and type of employment	Varies by entry age and service	Varies by entry age and service
Payroll growth	3.0%	3.0%	3.0%	3.0%
Investment rate of return	7.5% net of pension plan investment and administrative expenses; includes inflation.	7.5%	7.5%	7.5%
Retirement age	The probabilities of retirement are based on the 2010 CalPERS Experience Study for the period from 1997 to 2007.	The probabilities of retirement are based on the 2010 CalPERS Experience Study for the period from 1997 to 2007.	The probabilities of retirement are based on the 2014 CalPERS Experience Study.	The probabilities of retirement are based on the 2014 CalPERS Experience Study.
Mortality	The probabilities of mortality are based on the 2010 CalPERS Experience Study for the period from 1997 to 2007. Pre-retirement and Post-retirement mortality rates include 5 years of projected mortality improvement using Scale AA published by the Society of Actuaries.	Based on mortality rates from the most recent CalPERS Experience Study adopted by the CalPERS Board. For purposes of the post-retirement mortality rates, those revised rates include 5 years of projected on-going mortality improvement using scale AA published by the Society of Actuaries. There is no margin for future mortality improvement beyond the valuation date.	Based on mortality rates from the most recent CalPERS Experience Study adopted by the CalPERS Board. For purposes of the post-retirement mortality rates, those revised rates include 20 years of projected on-going mortality improvements using Scale BB published by the Society of Actuaries.	Based on mortality rates from the most recent CalPERS Experience Study adopted by the CalPERS Board. For purposes of the post-retirement mortality rates, those revised rates include 20 years of projected on-going mortality improvements using Scale BB published by the Society of Actuaries.

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

See accompanying independent auditor’s report.

2018-2019	2019-2020	2020-2021
$ 12,992	$ 14,611	$ 13,900
(12,992)	(14,611)	(13,900)
$ —	$ —	$ —
$ 46,849	$ 45,139	$ 34,583
27.73%	32.37%	40.19%

6/30/2016	6/30/2017	6/30/2018
Entry Age Normal Cost Method	Entry Age Normal Cost Method	Entry Age Normal Cost Method
Level Percent of Payroll	Level Percent of Payroll	Level Percent of Payroll
Market Value of Assets	Market Value of Assets	Market Value of Assets
2.75% compounded annually	2.63% compounded annually	2.50% compounded annually
Varies by entry age and service	Varies by entry age and service	Varies by entry age and service
3.0%	2.9%	2.75%
7.5%	7.25%	7.00%
The probabilities of retirement are based on the 2014 CalPERS Experience Study.	The probabilities of retirement are based on the 2017 CalPERS Experience Study.	The probabilities of retirement are based on the 2017 CalPERS Experience Study.
Based on mortality rates from the most recent CalPERS Experience Study adopted by the CalPERS Board. For purposes of the post-retirement mortality rates, those revised rates include 20 years of projected on-going mortality improvements using Scale BB published by the Society of Actuaries.	Based on mortality rates from the most recent CalPERS Experience Study adopted by the CalPERS Board. For purposes of the post-retirement mortality rates, those revised rates include 15 years of projected on-going mortality improvement using 90 percent of Scale MP 2016 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 15 years of projected on-going mortality improvement using 90 percent of Scale MP 2016 published by the Society of Actuaries.

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, 2021
(Dollar amounts in thousands)
(unaudited)

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

	2014-2015	2015-2016	2016-2017	2017-2018
District's proportion of the net pension liability (asset)	9.3936%	8.7047%	8.3405%	8.1507%
District's proportionate share of the net pension liability (asset)	$ 1,066,402	$ 1,283,081	$ 1,647,254	$ 1,945,775
District's covered-employee payroll	$ 839,116	$ 1,016,759	$ 1,078,634	$ 1,108,784
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	127.09%	126.19%	152.72%	175.49%
Plan fiduciary net position as a percentage of the total pension liability	83.38%	79.43%	73.90%	71.87%

2. Schedule of District Contributions

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

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

Valuation date	6/30/2013	6/30/2014	6/30/2015	6/30/2016
Actuarial cost method	Entry Age Normal	Entry Age Normal	Entry Age Normal	Entry Age Normal
Amortization method	Level Percent of Payroll	Level Percent of Payroll	Level Percent of Payroll	Level Percent of Payroll
Remaining amortization period	20-year period	Varies depending on the nature of the change in the unfunded liabilities.	Varies depending on the nature of the change in the unfunded liabilities.	Varies depending on the nature of the change in the unfunded liabilities.
Asset valuation method	Actuarial value of Assets	Market value of Assets	Market value of Assets	Market value of Assets
Inflation	2.75%	2.75%	2.75%	2.75%
Salary increases	Varies by entry age and duration of service	Varies by entry age and duration of service	Varies by entry age and duration of service	Varies by entry age and duration of service
Investment rate of return	7.50%	7.50%	7.50%	7.50%
Retirement age	CalPERS Experience Study	CalPERS Experience Study	CalPERS Experience Study	CalPERS Experience Study
Mortality	The probabilities of mortality are based on the most recent CalPERS Experience Study adopted by the CalPERS Board, first used in the 6/30/09 Valuation. Post-retirement mortality rates include 5 years of projected on-going mortality improvement using Scale AA published by the Society of Actuaries until June 30, 2010.	The probabilities of mortality are based on the most recent CalPERS Experience Study adopted by the CalPERS Board, first used in the 6/30/09 Valuation. Post-retirement mortality rates include 5 years of projected on-going mortality improvement using Scale AA published by the Society of Actuaries until June 30, 2010.	The probabilities of mortality are based on the most recent CalPERS Experience Study adopted by the CalPERS Board, first used in the 6/30/15 Valuation. Post-retirement mortality rates include 20 years of projected on-going mortality improvements using Scale BB published by the Society of Actuaries.	The probabilities of mortality are based on the most recent CalPERS Experience Study adopted by the CalPERS Board, first used in the 6/30/15 Valuation. Post-retirement mortality rates include 20 years of projected on-going mortality improvements using Scale BB published by the Society of Actuaries.

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

See accompanying independent auditor’s report.

2018-2019		2019-2020		2020-2021	
	7.96783%		8.0858%		7.8905%
$	2,124,474	$	2,356,549	$	2,421,053
$	1,116,870	$	1,228,585	$	1,221,081
	190.22%		191.81%		198.27%
	70.85%		70.05%		70.00%

2018-2019		2019-2020		2020-2021	
$	205,346	$	224,546	$	243,447
	205,346		224,546		243,447
$	—	$	—	$	—
	1,228,585		1,221,081		1,256,381
	16.71%		18.39%		19.38%

6/30/2017	6/30/2018	6/30/2019
Entry Age Normal	Entry Age Normal	Entry Age Normal
Level Percent of Payroll	Level Percent of Payroll	Level Percent of Payroll
Varies depending on the nature of the change in the unfunded liabilities.	Varies depending on the nature of the change in the unfunded liabilities.	Varies depending on the nature of the change in the unfunded liabilities.
Market value of Assets	Market value of Assets	Market value of Assets
2.75%	2.63%	2.50%
Varies by entry age and duration of service	Varies by entry age and duration of service	Varies by entry age and duration of service
7.15%	7.15%	7.15%
CalPERS Experience Study	CalPERS Experience Study	CalPERS Experience Study
The probabilities of mortality are based on the most recent CalPERS Experience Study adopted by the CalPERS Board, first used in the 6/30/15 Valuation. Post-retirement mortality rates include 20 years of projected on-going mortality improvements using Scale BB published by the Society of Actuaries.	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 15 years of projected on-going mortality improvements using 90 percent of Scale MP 2016 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 15 years of projected on-going mortality improvements using 90 percent of Scale MP 2016 published by the Society of Actuaries.

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, 2021
(Dollar amounts in thousands)
(unaudited)

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

	2014-2015	2015-2016	2016-2017	2017-2018
District's proportion of the net pension liability (asset)	5.7380%	5.9320%	5.5890%	5.3050%
District's proportionate share of the net pension liability (asset)	$ 3,353,000	$ 3,993,660	$ 4,520,439	$ 4,906,064
District's covered-employee payroll	$ 2,585,154	$ 2,771,643	$ 2,834,892	$ 2,865,305
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	129.70%	144.09%	159.46%	171.22%
Plan fiduciary net position as a percentage of the total pension liability	76.52%	74.02%	70.04%	69.46%

2. Schedule of District Contributions

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

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

Valuation date	6/30/2013	6/30/2014	6/30/2015	6/30/2016
Actuarial cost method	Entry Age Normal	Entry Age Normal	Entry Age Normal	Entry Age Normal
Amortization method	Level Percent of Payroll	Level Percent of Payroll	Level Percent of Payroll	Level Percent of Payroll
Remaining amortization period	30 years	32 years	31 years	30 years
Asset valuation method	Expected Value with 33% adjustment to Market Value	Expected Value with 33% adjustment to Market Value	Expected Value with 33% adjustment to Market Value	Expected Value with 33% adjustment to Market Value
Inflation	3.00%	3.00%	3.00%	2.75%
Salary increases	3.75%	3.75%	3.75%	3.50%
Investment rate of return	7.50%	7.50%	7.50%	7.25%
Retirement age	Experience Tables	Experience Tables	Experience Tables	Experience Tables
Mortality	RP-2000 Series Table	RP-2000 Series Table	RP-2000 Series Table	110 percent of the ultimate improvement factor from the Mortality Improvement Scale (MP-2016) table

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

See accompanying independent auditor’s report.

2018-2019	2019-2020	2020-2021
5.1840%	5.3820%	5.4030%
$ 4,764,511	$ 4,980,791	$ 5,396,309
$ 2,833,461	$ 3,052,549	$ 2,825,924
168.15%	163.17%	190.96%
70.99%	72.56%	71.82%

2018-2019	2019-2020	2020-2021
$ 483,163	$ 508,985	$ 497,701
483,163	508,985	497,701
$ —	$ —	$ —
3,052,549	2,825,924	3,093,726
15.83%	18.01%	16.09%

6/30/2017	6/30/2018	6/30/2019
Entry Age Normal	Entry Age Normal	Entry Age Normal
Level Percent of Payroll	Level Percent of Payroll	Level Percent of Payroll
29 years	28 years	27 years
Expected Value with 33% adjustment to Market Value	Expected Value with 33% adjustment to Market Value	Expected Value with 33% adjustment to Market Value
2.75%	2.75%	2.75%
3.50%	3.50%	3.50%
7.10%	7.10%	7.10%
Experience Tables	Experience Tables	Experience Tables
110 percent of the ultimate improvement factor from the Mortality Improvement Scale (MP-2016) table	110 percent of the ultimate improvement factor from the Mortality Improvement Scale (MP-2016) table	110 percent of the ultimate improvement factor from the Mortality Improvement Scale (MP-2016) table

LOS ANGELES UNIFIED SCHOOL DISTRICT
District Bonds Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual
Year Ended June 30, 2021
(in thousands)

	Budget			Variance with Final Budget – Favorable
	Original	Final	Actual	(Unfavorable)
Revenues:				
Other local revenues	$ 20,850	$ 19,626	$ 10,446	$ (9,180)
Total Revenues	20,850	19,626	10,446	(9,180)
Expenditures:				
Current:				
Classified salaries	113,292	123,444	47,269	76,175
Employee benefits	54,533	61,415	22,706	38,709
Books and supplies	1,368	24,432	12,876	11,556
Services and other operating expenditures	216	352,018	29,813	322,205
Capital outlay	852,330	686,530	588,262	98,268
Total Expenditures	1,021,739	1,247,839	700,926	546,913
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,000,889)	(1,228,213)	(690,480)	537,733
Other Financing Sources (Uses):				
Transfers in	—	270,033	270,033	—
Transfers out	—	(142,731)	(142,676)	55
Issuance of bonds	1,057,060	1,057,060	1,057,060	—
Total Other Financing Sources (Uses)	1,057,060	1,184,362	1,184,417	55
Net Changes in Fund Balances	56,171	(43,851)	493,937	537,788
Fund Balances, July 1, 2020	1,030,557	1,063,017	1,063,017	—
Fund Balances, June 30, 2021	$ 1,086,728	$ 1,019,166	$ 1,556,954	$ 537,788

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, 2021
(in thousands)

	Budget			Variance with Final Budget – Favorable
	Original	**Final**	**Actual**	**(Unfavorable)**
Revenues:				
Federal revenues	$ —	$ —	$ 95,945	$ 95,945
Other state revenues	—	—	3,718	3,718
Other local revenues	897,937	897,937	1,131,877	233,940
Total Revenues	897,937	897,937	1,231,540	333,603
Expenditures:				
Debt service – principal	372,479	695,045	695,045	—
Debt service – bond issuance cost	—	2,948	2,948	—
Debt service – bond, COPs, and capital leases interest	525,458	510,456	510,456	—
Total Expenditures	897,937	1,208,449	1,208,449	—
Excess (Deficiency) of Revenues Over (Under) Expenditures	—	(310,512)	23,091	333,603
Other Financing Sources (Uses):				
Issuance of refunding bonds	—	—	498,310	498,310
Payment to refunded bond escrow agent	—	—	(631,490)	(631,490)
Premium on refunding bonds issued	—	—	134,937	134,937
Premium on bonds issued	—	—	156,670	156,670
Total Other Financing Sources	—	—	158,427	158,427
Net Changes in Fund Balances	—	(310,512)	181,518	492,030
Fund Balances, July 1, 2020	765,538	1,042,805	1,042,805	—
Fund Balances, June 30, 2021	$ 765,538	$ 732,293	$ 1,224,323	$ 492,030

See accompanying independent auditor’s report.

LOS ANGELES UNIFIED SCHOOL DISTRICT

Nonmajor Governmental Funds

Special Revenue Funds

The Student Activity Special Revenue Fund is used to account for the transactions of student organizations that are established to raise and spend money on behalf of the students.

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

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

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

Debt Service Funds

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

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

Capital Projects Funds

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

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

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

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

The Special Reserve Fund – Community Redevelopment Agency is used to account for reimbursements of tax increment revenues from certain community redevelopment agencies based on agreements between the District and the agencies. These reimbursements are to be used for capital projects within the respective redevelopment areas covered in the agreements.

LOS ANGELES UNIFIED SCHOOL DISTRICT

Nonmajor Governmental Funds

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.

The Special Reserve Fund – FEMA – Hazard Mitigation was established on April 15, 1996 to account for funds received from FEMA and for the 25% District-matching funds for the retrofit/replacement of pendant lighting and suspended ceilings in selected buildings at schools, offices, and children's centers.

LOS ANGELES UNIFIED SCHOOL DISTRICT
Nonmajor Governmental Funds
Combining Balance Sheet
June 30, 2021
(in thousands)

	Special Revenue				
Assets:	Student Activity	Adult Education	Child Development	Cafeteria	Total
Cash in county treasury, in banks, and on hand	$ 27,787	$ 37,167	$ 20,551	$ 58,424	$ 143,929
Cash held by trustee	—	—	—	—	—
Investments	13,800	—	—	—	13,800
Accounts receivable – net	493	7,409	388	31,101	39,391
Accrued interest receivable	—	50	25	144	219
Prepaids	—	—	—	42	42
Inventories	3,582	—	—	20,508	24,090
Other Assets	215	—	—	—	215
Total Assets	45,877	44,626	20,964	110,219	221,686
Deferred Outflows of Resources	—	—	—	—	—
Total Assets and Deferred Outflows of Resources	$ 45,877	$ 44,626	$ 20,964	$ 110,219	$ 221,686
Liabilities and Fund Balances:					
Vouchers and accounts payable	$ —	$ 1,785	$ 717	$ 5,655	$ 8,157
Contracts payable	—	—	9	—	9
Accrued payroll	—	4,218	14,276	17,077	35,571
Other payables	1,101	854	1,398	1,095	4,448
Unearned revenue	—	—	452	969	1,421
Total Liabilities	1,101	6,857	16,852	24,796	49,606
Deferred Inflows of Resources	—	—	—	—	—
Fund Balances:					
Nonspendable	3,582	16	—	20,551	24,149
Restricted	41,194	29,781	4,022	64,872	139,869
Assigned	—	7,972	90	—	8,062
Total Fund Balances	44,776	37,769	4,112	85,423	172,080
Total Liabilities, Deferred Inflows of Resources and Fund Balances	$ 45,877	$ 44,626	$ 20,964	$ 110,219	$ 221,686

See accompanying independent auditors' report.

Debt Service		
Tax Override	Capital Services	Total
$ 417	$ 3,074	$ 3,491
—	12,949	12,949
—	—	—
—	—	—
1	7	8
—	—	—
—	—	—
—	—	—
418	16,030	16,448
—	—	—
$ 418	$ 16,030	$ 16,448
$ —	$ —	$ —
—	—	—
—	—	—
—	—	—
—	—	—
—	—	—
—	—	—
—	—	—
418	16,030	16,448
—	—	—
418	16,030	16,448
$ 418	$ 16,030	$ 16,448

(Continued)

LOS ANGELES UNIFIED SCHOOL DISTRICT
Nonmajor Governmental Funds
Combining Balance Sheet (Continued)
June 30, 2021
(in thousands)

	Capital			
Assets:	Building	Capital Facilities Account	State School Building Lease – Purchase	County School Facilities Bonds
Cash in county treasury, in banks, and on hand	$ 10,747	$ 100,270	$ 12,241	$ 89,999
Cash held by trustee	—	—	—	—
Investments	—	—	—	—
Accounts receivable – net	—	5,742	—	—
Accrued interest receivable	23	255	26	259
Prepaids	—	—	—	—
Inventories	—	—	—	—
Other Assets	—	—	—	—
Total Assets	10,770	106,267	12,267	90,258
Deferred Outflows of Resources	—	—	—	—
Total Assets and Deferred Outflows of Resources	$ 10,770	$ 106,267	$ 12,267	$ 90,258
Liabilities and Fund Balances:				
Vouchers and accounts payable	$ —	$ 1,420	$ 133	$ 150
Contracts payable	—	640	174	392
Accrued payroll	11	32	3	4
Other payables	2	1,980	5,785	491
Unearned revenue	—	—	—	—
Total Liabilities	13	4,072	6,095	1,037
Deferred Inflows of Resources	—	—	—	—
Fund Balances:				
Nonspendable	—	—	—	—
Restricted	—	102,195	6,172	89,221
Assigned	10,757	—	—	—
Total Fund Balances	10,757	102,195	6,172	89,221
Total Liabilities, Deferred Inflows of Resources and Fund Balances	$ 10,770	$ 106,267	$ 12,267	$ 90,258

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
$ 120,555	$ 87,197	$ 2,773	$ 2,218	$ 426,000	$ 573,420
—	—	—	—	—	12,949
—	—	—	—	—	13,800
—	—	—	—	5,742	45,133
256	171	7	5	1,002	1,229
—	—	—	—	—	42
—	—	—	—	—	24,090
—	—	—	—	—	215
120,811	87,368	2,780	2,223	432,744	670,878
—	—	—	—	—	—
$ 120,811	$ 87,368	$ 2,780	$ 2,223	$ 432,744	$ 670,878
$ 1	$ 320	$ 28	$ —	$ 2,052	$ 10,209
—	145	169	—	1,520	1,529
12	10	1	—	73	35,644
2	129	—	—	8,389	12,837
—	436	—	—	436	1,857
15	1,040	198	—	12,470	62,076
—	—	—	—	—	—
—	—	—	—	—	24,149
120,796	86,328	2,374	—	407,086	563,403
—	—	208	2,223	13,188	21,250
120,796	86,328	2,582	2,223	420,274	608,802
$ 120,811	$ 87,368	$ 2,780	$ 2,223	$ 432,744	$ 670,878

LOS ANGELES UNIFIED SCHOOL DISTRICT
Nonmajor Governmental Funds
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Year Ended June 30, 2021
(in thousands)

	Special Revenue				
	Student Activity	**Adult Education**	**Child Development**	**Cafeteria**	**Total**
Revenues:					
Federal revenues	$ —	$ 18,561	$ 8,952	$ 260,223	$ 287,736
Other state revenues	—	113,261	148,976	364	262,601
Other local revenues	4,721	1,337	944	1,063	8,065
Total Revenues	4,721	133,159	158,872	261,650	558,402
Expenditures:					
Current:					
Certificated salaries	—	55,850	44,900	—	100,750
Classified salaries	—	15,443	56,053	112,492	183,988
Employee benefits	—	32,641	57,648	98,425	188,714
Books and supplies	5,404	2,406	3,029	117,764	128,603
Services and other operating expenditures	862	10,447	3,330	(46,728)	(32,089)
Capital outlay	109	1,061	—	—	1,170
Debt service – principal	—	—	80	—	80
Debt service – bond, COPs, and capital leases interest	—	—	—	—	—
Transfers of indirect costs – interfund	—	3,910	6,998	11,400	22,308
Total Expenditures	6,375	121,758	172,038	293,353	593,524
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,654)	11,401	(13,166)	(31,703)	(35,122)
Other Financing Sources (Uses):					
Transfers in	—	4,340	17,125	136	21,601
Transfers out	—	(6)	(14)	—	(20)
Premium on refunding COPs issued	—	—	—	—	—
Issuance of refunding COPs	—	—	—	—	—
Payment to refunded COPs escrow agent	—	—	—	—	—
Total Other Financing Sources (Uses)	—	4,334	17,111	136	21,581
Net Changes in Fund Balances	(1,654)	15,735	3,945	(31,567)	(13,541)
Fund Balances, July 1, 2020, Restated	46,430	22,034	167	116,990	185,621
Fund Balances, June 30, 2021	$ 44,776	$ 37,769	$ 4,112	$ 85,423	$ 172,080

See accompanying independent auditor's report.

Debt Service		
Tax Override	Capital Services	Total
$ —	$ 214	$ 214
—	—	—
2	306	308
2	520	522
—	—	—
—	—	—
—	—	—
—	—	—
—	—	—
—	—	—
—	29,236	29,236
—	6,166	6,166
—	—	—
—	35,402	35,402
2	(34,882)	(34,880)
—	16,413	16,413
—	(675)	(675)
—	5,644	5,644
—	28,390	28,390
—	(33,594)	(33,594)
—	16,178	16,178
2	(18,704)	(18,702)
416	34,734	35,150
$ 418	$ 16,030	$ 16,448

(Continued)

LOS ANGELES UNIFIED SCHOOL DISTRICT
Nonmajor Governmental Funds
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances (Continued)
Year Ended June 30, 2021
(in thousands)

	Building	Capital Facilities Account	State School Building Lease – Purchase	County School Facilities Bonds	Capital Special Reserve – Community Redevelopment Agency
Revenues:					
Federal revenues	$ —	$ —	$ —	$ —	$ —
Other state revenues	—	—	—	76,995	—
Other local revenues	492	77,446	67	627	50,019
Total Revenues	492	77,446	67	77,622	50,019
Expenditures:					
Current:					
Certificated salaries					
Classified salaries	256	586	15	20	208
Employee benefits	139	295	7	13	94
Books and supplies	—	26	—	273	—
Services and other operating expenditures	278	771	—	119	(1)
Capital outlay	—	32,538	—	46,359	—
Debt service – principal	—	—	—	—	—
Debt service – bond, COPs, and capital leases interest	—	—	—	—	—
Transfers of indirect costs – interfund	—	—	—	—	—
Total Expenditures	673	34,216	22	46,784	301
Excess (Deficiency) of Revenues Over (Under) Expenditures	(181)	43,230	45	30,838	49,718
Other Financing Sources (Uses):					
Transfers in	—	5,000	—	26,442	—
Transfers out	—	(97,373)	—	(75,287)	(20,000)
Premium on refunding COPs issued	—	—	—	—	—
Issuance of refunding COPs	—	—	—	—	—
Payment to refunded COPs escrow agent	—	—	—	—	—
Total Other Financing Sources (Uses)	—	(92,373)	—	(48,845)	(20,000)
Net Changes in Fund Balances	(181)	(49,143)	45	(18,007)	29,718
Fund Balances, July 1, 2020, Restated	10,938	151,338	6,127	107,228	91,078
Fund Balances, June 30, 2021	$ 10,757	$ 102,195	$ 6,172	$ 89,221	$ 120,796

See accompanying independent auditor’s report.

Projects				
Special Reserve	Special Reserve – FEMA – Earthquake	Special Reserve – FEMA – Hazard Mitigation	Total	Total Nonmajor Governmental Funds
$ 5,165	$ —	$ —	$ 5,165	$ 293,115
1,100	—	—	78,095	340,696
14,032	18	12	142,713	151,086
20,297	18	12	225,973	784,897
			—	100,750
330	—	—	1,415	185,403
170	—	—	718	189,432
182	—	—	481	129,084
1,782	—	—	2,949	(29,140)
4,271	903	—	84,071	85,241
—	—	—	—	29,316
—	—	—	—	6,166
—	—	—	—	22,308
6,735	903	—	89,634	718,560
13,562	(885)	12	136,339	66,337
99	—	—	31,541	69,555
(3,399)	—	—	(196,059)	(196,754)
—	—	—	—	5,644
—	—	—	—	28,390
—	—	—	—	(33,594)
(3,300)	—	—	(164,518)	(126,759)
10,262	(885)	12	(28,179)	(60,422)
76,066	3,467	2,211	448,453	669,224
$ 86,328	$ 2,582	$ 2,223	$ 420,274	$ 608,802

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, 2021
(in thousands)

	Student Activity Special Revenue			
	Budget			**Variance with Final Budget – Favorable**
	Original	**Final**	**Actual**	**(Unfavorable)**
Revenues:				
Federal revenues	$ —	$ —	$ —	$ —
Other state revenues	—	—	—	—
Other local revenues	15,137	7,182	4,721	(2,461)
Total Revenues	15,137	7,182	4,721	(2,461)
Expenditures:				
Current:				
Certificated salaries	—	—	—	—
Classified salaries	—	—	—	—
Employee benefits	—	—	—	—
Books and supplies	11,921	6,442	5,404	1,038
Services and other operating expenditures	3,274	1,168	862	306
Capital outlay	409	225	109	116
Debt Service – principal	—	—	—	—
Transfers of indirect costs – interfund	—	—	—	—
Total Expenditures	15,604	7,835	6,375	1,460
Excess (Deficiency) of Revenues Over (Under) Expenditures	(467)	(653)	(1,654)	(1,001)
Other Financing Sources (Uses):				
Transfers in	—	—	—	—
Transfers out	—	—	—	—
Total Other Financing Sources (Uses)	—	—	—	—
Net Changes in Fund Balances	(467)	(653)	(1,654)	(1,001)
Fund Balances, July 1, 2020, Restated	46,430	46,430	46,430	—
Fund Balances, June 30, 2021	$ 45,963	$ 45,777	$ 44,776	$ (1,001)

See accompanying independent auditor’s report.

Adult Education				Child Development			
Budget			Variance with Final Budget – Favorable	Budget			Variance with Final Budget – Favorable
Original	Final	Actual	(Unfavorable)	Original	Final	Actual	(Unfavorable)
$ 15,974	$ 19,516	$ 18,561	$ (955)	$ 4,641	$ 8,864	$ 8,952	$ 88
113,691	113,852	113,261	(591)	135,564	146,909	148,976	2,067
4,149	2,259	1,337	(922)	2,888	882	944	62
133,814	135,627	133,159	(2,468)	143,093	156,655	158,872	2,217
57,661	59,237	55,850	3,387	50,495	45,028	44,900	128
16,497	16,275	15,443	832	55,993	56,091	56,053	38
35,233	35,286	32,641	2,645	57,016	57,678	57,648	30
28,139	31,907	2,406	29,501	7,351	4,480	3,029	1,451
9,571	13,655	10,447	3,208	3,677	3,332	3,330	2
—	1,425	1,061	364	—	—	—	—
—	—	—	—	170	159	80	79
4,377	4,143	3,910	233	6,973	7,007	6,998	9
151,478	161,928	121,758	40,170	181,675	173,775	172,038	1,737
(17,664)	(26,301)	11,401	37,702	(38,582)	(17,120)	(13,166)	3,954
—	4,293	4,340	47	38,570	17,126	17,125	(1)
—	(12)	(6)	6	—	(14)	(14)	—
—	4,281	4,334	53	38,570	17,112	17,111	(1)
(17,664)	(22,020)	15,735	37,755	(12)	(8)	3,945	3,953
17,680	22,034	22,034	—	170	167	167	—
$ 16	$ 14	$ 37,769	$ 37,755	$ 158	$ 159	$ 4,112	$ 3,953

(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, 2021
(in thousands)

	Cafeteria			
	Budget			Variance with Final Budget – Favorable
	Original	**Final**	**Actual**	**(Unfavorable)**
Revenues:				
Federal revenues	$ 368,255	$ 258,187	$ 260,223	$ 2,036
Other state revenues	24,704	364	364	—
Other local revenues	10,403	927	1,063	136
Total Revenues	403,362	259,478	261,650	2,172
Expenditures:				
Current:				
Certificated salaries	—	—	—	—
Classified salaries	112,425	113,741	112,492	1,249
Employee benefits	104,659	100,276	98,425	1,851
Books and supplies	165,174	121,357	117,764	3,593
Services and other operating expenditures	3,964	(5,992)	(46,728)	40,736
Capital outlay	—	—	—	—
Debt Service – principal	—	—	—	—
Transfers of indirect costs – interfund	15,642	13,100	11,400	1,700
Total Expenditures	401,864	342,482	293,353	49,129
Excess (Deficiency) of Revenues Over (Under) Expenditures	1,498	(83,004)	(31,703)	51,301
Other Financing Sources (Uses):				
Transfers in	1,402	—	136	136
Transfers out	—	—	—	—
Total Other Financing Sources (Uses)	1,402	—	136	136
Net Changes in Fund Balances	2,900	(83,004)	(31,567)	51,437
Fund Balances, July 1, 2020, Restated	143,684	116,990	116,990	—
Fund Balances, June 30, 2021	$ 146,584	$ 33,986	$ 85,423	$ 51,437

See accompanying independent auditor’s report.

Total			
Budget			Variance with Final Budget – Favorable
Original	Final	Actual	(Unfavorable)
$ 388,870	$ 286,567	$ 287,736	$ 1,169
273,959	261,125	262,601	1,476
32,577	11,250	8,065	(3,185)
695,406	558,942	558,402	(540)
108,156	104,265	100,750	3,515
184,915	186,107	183,988	2,119
196,908	193,240	188,714	4,526
212,585	164,186	128,603	35,583
20,486	12,163	(32,089)	44,252
409	1,650	1,170	480
170	159	80	79
26,992	24,250	22,308	1,942
750,621	686,020	593,524	92,496
(55,215)	(127,078)	(35,122)	91,956
39,972	21,419	21,601	182
—	(26)	(20)	6
39,972	21,393	21,581	188
(15,243)	(105,685)	(13,541)	92,144
207,964	185,621	185,621	—
$ 192,721	$ 79,936	$ 172,080	$ 92,144

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, 2021
(in thousands)

	Tax Override			
	Budget			Variance with Final Budget – Favorable
	Original	Final	Actual	(Unfavorable)
Revenues:				
Federal revenues	$ —	$ —	$ —	$ —
Other local revenues	—	—	2	2
Total Revenues	—	—	2	2
Expenditures:				
Debt service – principal	—	—	—	—
Debt service – bond, COPs, and capital leases interest	—	—	—	—
Total Expenditures	—	—	—	—
Excess (Deficiency) of Revenues Over (Under) Expenditures	—	—	2	2
Other Financing Sources (Uses):				
Transfers in	—	—	—	—
Transfers out	—	—	—	—
Premium on refunding COPs issued	—	—	—	—
Issuance of refunding COPs	—	—	—	—
Payment to refunded COPs escrow agent	—	—	—	—
Total Other Financing Sources	—	—	—	—
Net Changes in Fund Balances	—	—	2	2
Fund Balances, July 1, 2020	415	416	416	—
Fund Balances, June 30, 2021	$ 415	$ 416	$ 418	$ 2

See accompanying independent auditor’s report.

Capital Services				Total			
Budget			Variance with Final Budget – Favorable	Budget			Variance with Final Budget – Favorable
Original	Final	Actual	(Unfavorable)	Original	Final	Actual	(Unfavorable)
$ 578	$ 578	$ 214	$ (364)	$ 578	$ 578	$ 214	$ (364)
549	549	306	(243)	549	549	308	(241)
1,127	1,127	520	(607)	1,127	1,127	522	(605)
10,363	29,236	29,236	—	10,363	29,236	29,236	—
8,624	6,829	6,166	663	8,624	6,829	6,166	663
18,987	36,065	35,402	663	18,987	36,065	35,402	663
(17,860)	(34,938)	(34,882)	56	(17,860)	(34,938)	(34,880)	58
18,402	16,684	16,413	(271)	18,402	16,684	16,413	(271)
—	(675)	(675)	—	—	(675)	(675)	—
—	5,644	5,644	—	—	5,644	5,644	—
—	28,390	28,390	—	—	28,390	28,390	—
—	(33,594)	(33,594)	—	—	(33,594)	(33,594)	—
18,402	16,449	16,178	(271)	18,402	16,449	16,178	(271)
542	(18,489)	(18,704)	(215)	542	(18,489)	(18,702)	(213)
34,665	34,734	34,734	—	35,080	35,150	35,150	—
$ 35,207	$ 16,245	$ 16,030	$ (215)	$ 35,622	$ 16,661	$ 16,448	$ (213)

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, 2021
(in thousands)

	Building			
	Budget			Variance with Final Budget – Favorable
	Original	Final	Actual	(Unfavorable)
Revenues:				
Federal revenues	$ —	$ —	$ —	$ —
Other state revenues	—	—	—	—
Other local revenues	789	789	492	(297)
Total Revenues	789	789	492	(297)
Expenditures:				
Current:				
Classified salaries	337	345	256	89
Employee benefits	180	183	139	44
Books and supplies	—	—	—	—
Services and other operating expenditures	—	336	278	58
Capital outlay	1,483	1,265	—	1,265
Total Expenditures	2,000	2,129	673	1,456
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,211)	(1,340)	(181)	1,159
Other Financing Sources (Uses):				
Transfers in	—	—	—	—
Transfers out	—	—	—	—
Total Other Financing Sources (Uses)	—	—	—	—
Net Changes in Fund Balances	(1,211)	(1,340)	(181)	1,159
Fund Balances, July 1, 2020	10,810	10,938	10,938	—
Fund Balances, June 30, 2021	$ 9,599	$ 9,598	$ 10,757	$ 1,159

See accompanying independent auditor’s report.

Capital Facilities Account				State School Building Lease – Purchase			
Budget			Variance with Final Budget – Favorable	Budget			Variance with Final Budget – Favorable
Original	Final	Actual	(Unfavorable)	Original	Final	Actual	(Unfavorable)
$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —
—	—	—	—	—	—	—	—
102,000	102,000	77,446	(24,554)	—	—	67	67
102,000	102,000	77,446	(24,554)	—	—	67	67
585	967	586	381	—	15	15	—
277	481	295	186	—	7	7	—
78	796	26	770	—	—	—	—
31,478	883	771	112	—	—	—	—
53,081	37,195	32,538	4,657	128	91	—	91
85,499	40,322	34,216	6,106	128	113	22	91
16,501	61,678	43,230	(18,448)	(128)	(113)	45	158
—	5,000	5,000	—	—	—	—	—
—	(97,373)	(97,373)	—	—	—	—	—
—	(92,373)	(92,373)	—	—	—	—	—
16,501	(30,695)	(49,143)	(18,448)	(128)	(113)	45	158
160,740	151,338	151,338	—	6,141	6,127	6,127	—
$ 177,241	$ 120,643	$ 102,195	$ (18,448)	$ 6,013	$ 6,014	$ 6,172	$ 158

(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, 2021
(in thousands)

	County School Facilities Bonds			
	Budget			
	Original	Final	Actual	Variance with Final Budget – Favorable (Unfavorable)
Revenues:				
Federal revenues	$ —	$ —	$ —	$ —
Other state revenues	80,994	80,994	76,995	(3,999)
Other local revenues	2,840	2,840	627	(2,213)
Total Revenues	83,834	83,834	77,622	(6,212)
Expenditures:				
Current:				
Classified salaries	—	9,816	20	9,796
Employee benefits	—	4,686	13	4,673
Books and supplies	—	9,865	273	9,592
Services and other operating expenditures	—	17,570	119	17,451
Capital outlay	32,825	50,510	46,359	4,151
Total Expenditures	32,825	92,447	46,784	45,663
Excess (Deficiency) of Revenues Over (Under) Expenditures	51,009	(8,613)	30,838	39,451
Other Financing Sources (Uses):				
Transfers in	—	26,442	26,442	—
Transfers out	—	(75,287)	(75,287)	—
Total Other Financing Sources (Uses)	—	(48,845)	(48,845)	—
Net Changes in Fund Balances	51,009	(57,458)	(18,007)	39,451
Fund Balances, July 1, 2020	119,053	107,228	107,228	—
Fund Balances, June 30, 2021	$ 170,062	$ 49,770	$ 89,221	$ 39,451

See accompanying independent auditors’ report.

Special Reserve – Community Redevelopment Agency				Special Reserve			
Budget			Variance with Final Budget – Favorable	Budget			Variance with Final Budget – Favorable
Original	Final	Actual	(Unfavorable)	Original	Final	Actual	(Unfavorable)
$ —	$ —	$ —	$ —	$ 5,202	$ 9,127	$ 5,165	$ (3,962)
—	—	—	—	1,735	1,735	1,100	(635)
37,935	37,935	50,019	12,084	12,883	22,398	14,032	(8,366)
37,935	37,935	50,019	12,084	19,820	33,260	20,297	(12,963)
212	220	208	12	—	497	330	167
96	101	94	7	—	236	170	66
222	210	—	210	—	491	182	309
1,886	1,885	(1)	1,886	—	7,804	1,782	6,022
8,839	13,495	—	13,495	18,447	17,391	4,271	13,120
11,255	15,911	301	15,610	18,447	26,419	6,735	19,684
26,680	22,024	49,718	27,694	1,373	6,841	13,562	6,721
—	—	—	—	—	99	99	—
(20,000)	(20,000)	(20,000)	—	(3)	(3,401)	(3,399)	2
(20,000)	(20,000)	(20,000)	—	(3)	(3,302)	(3,300)	2
6,680	2,024	29,718	27,694	1,370	3,539	10,262	6,723
86,421	91,078	91,078	—	78,898	76,066	76,066	—
$ 93,101	$ 93,102	$ 120,796	$ 27,694	$ 80,268	$ 79,605	$ 86,328	$ 6,723

(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, 2021
(in thousands)

	Special Reserve – FEMA – Earthquake			
	Budget			Variance with Final Budget – Favorable
	Original	Final	Actual	(Unfavorable)
Revenues:				
Federal revenues	$ —	$ —	$ —	$ —
Other state revenues	—	—	—	—
Other local revenues	—	—	18	18
Total Revenues	—	—	18	18
Expenditures:				
Current:				
Classified salaries	—	52	—	52
Employee benefits	—	24	—	24
Books and supplies	—	—	—	—
Services and other operating expenditures	—	674	—	674
Capital outlay	1,771	1,019	903	116
Total Expenditures	1,771	1,769	903	866
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,771)	(1,769)	(885)	884
Other Financing Sources (Uses):				
Transfers in	—	—	—	—
Transfers out	—	—	—	—
Total Other Financing Sources (Uses)	—	—	—	—
Net Changes in Fund Balances	(1,771)	(1,769)	(885)	884
Fund Balances, July 1, 2020	3,470	3,467	3,467	—
Fund Balances, June 30, 2021	$ 1,699	$ 1,698	$ 2,582	$ 884

See accompanying independent auditors' report.

Special Reserve – FEMA – Hazard Mitigation				Total			
Budget			Variance with Final Budget – Favorable	Budget			Variance with Final Budget – Favorable
Original	Final	Actual	(Unfavorable)	Original	Final	Actual	(Unfavorable)
$ —	$ —	$ —	$ —	$ 5,202	$ 9,127	$ 5,165	$ (3,962)
—	—	—	—	82,729	82,729	78,095	(4,634)
—	—	12	12	156,447	165,962	142,713	(23,249)
—	—	12	12	244,378	257,818	225,973	(31,845)
—	—	—	—	1,134	11,912	1,415	10,497
—	—	—	—	553	5,718	718	5,000
—	—	—	—	300	11,362	481	10,881
—	—	—	—	33,364	29,152	2,949	26,203
—	—	—	—	116,574	120,966	84,071	36,895
—	—	—	—	151,925	179,110	89,634	89,476
—	—	12	12	92,453	78,708	136,339	57,631
—	—	—	—	—	31,541	31,541	—
—	—	—	—	(20,003)	(196,061)	(196,059)	2
—	—	—	—	(20,003)	(164,520)	(164,518)	2
—	—	12	12	72,450	(85,812)	(28,179)	57,633
2,215	2,211	2,211	—	467,748	448,453	448,453	—
$ 2,215	$ 2,211	$ 2,223	$ 12	$ 540,198	$ 362,641	$ 420,274	$ 57,633

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, 2021
(in thousands)

Assets:	Health and Welfare Benefits	Workers' Compensation Self-Insurance	Liability Self-Insurance	Total
Cash in county treasury, in banks, and on hand	$ 141,680	$ 574,882	$ 195,379	$ 911,941
Accounts receivable – net	32,679	—	—	32,679
Accrued interest and dividends receivable	546	1,226	290	2,062
Prepaids	54,067	—	—	54,067
Other assets	5,230	—	—	5,230
Total Assets	234,202	576,108	195,669	1,005,979
Deferred Outflows of Resources	1,694	2,013	1,102	4,809
Liabilities:				
Current:				
Vouchers and accounts payable	4,628	5,016	537	10,181
Accrued payroll	1,228	229	429	1,886
Other payables	36,654	16	3,844	40,514
Estimated liability for self-insurance claims	21,044	104,808	101,081	226,933
Total Current Liabilities	63,554	110,069	105,891	279,514
Noncurrent:				
Estimated liability for self-insurance claims	—	298,837	84,071	382,908
Net other postemployment benefits liability	3,476	7,380	2,612	13,468
Net pension liability	3,236	5,469	2,333	11,038
Total Noncurrent Liabilities	6,712	311,686	89,016	407,414
Total Liabilities	70,266	421,755	194,907	686,928
Deferred Inflows of Resources	1,765	2,249	1,136	5,150
Total Net Position – Unrestricted	$ 163,865	$ 154,117	$ 728	$ 318,710

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, 2021
(in thousands)

	Health and Welfare Benefits	Workers' Compensation Self-Insurance	Liability Self-Insurance	Total
Operating Revenues:				
In-District premiums	$ 1,081,346	$ 86,803	$ 42,887	$ 1,211,036
Others	10,388	—	—	10,388
Total Operating Revenues	1,091,734	86,803	42,887	1,221,424
Operating Expenses:				
Certificated salaries	—	—	193	193
Classified salaries	2,365	1,440	1,836	5,641
Employee benefits	1,633	1,004	1,190	3,827
Supplies	204	7	6	217
Premiums and claims expenses	1,087,832	3,069	37,117	1,128,018
Claims administration	3,407	13,706	273	17,386
Other contracted services	791	309	6	1,106
Total Operating Expenses	1,096,232	19,535	40,621	1,156,388
Operating Income (Loss)	(4,498)	67,268	2,266	65,036
Nonoperating Revenues (Expenses):				
Investment income	1,887	3,148	732	5,767
Miscellaneous expense	—	(52)	—	(52)
Total Nonoperating Revenues	1,887	3,096	732	5,715
Income (Loss) before Transfers	(2,611)	70,364	2,998	70,751
Transfers out	(227,000)	—	—	(227,000)
Changes in Net Position	(229,611)	70,364	2,998	(156,249)
Total Net Position, July 1, 2020	393,476	83,753	(2,270)	474,959
Total Net Position, June 30, 2021	$ 163,865	$ 154,117	$ 728	$ 318,710

See accompanying independent auditor's report.

LOS ANGELES UNIFIED SCHOOL DISTRICT
Internal Service Funds
Combining Statement of Cash Flows
Year Ended June 30, 2021
(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	$ (2,687)	$ (2,160)	$ (2,819)	$ (7,666)
Cash payments for goods and services	(1,083,828)	(90,668)	(24,141)	(1,198,637)
Receipts from assessment to other funds	1,081,346	86,803	42,887	1,211,036
Other operating revenue	10,388	—	—	10,388
Cash Provided (Used) by Operating Activities	5,219	(6,025)	15,927	15,121
Cash Flows from Non-Capital Financing Activities:				
Transfer to other funds	(227,000)	—	—	(227,000)
Cash Used by Non-Capital Financing Activities	(227,000)	—	—	(227,000)
Cash Flows from Investing Activities:				
Earnings on investments	2,591	3,575	672	6,838
Net Cash Provided by Investing Activities	2,591	3,575	672	6,838
Net Increase (Decrease) in Cash and Cash Equivalents	(219,190)	(2,450)	16,599	(205,041)
Cash and Cash Equivalents, July 1	360,870	577,332	178,780	1,116,982
Cash and Cash Equivalents, June 30	$ 141,680	$ 574,882	$ 195,379	$ 911,941
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:				
Operating Income (Loss)	$ (4,498)	$ 67,268	$ 2,266	$ 65,036
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Net increase in pension and other postemployment benefits expense from actuarial valuation	352	216	272	840
Change in Assets: Decrease (Increase)				
Accounts receivable	5,781	—	—	5,781
Prepaids	(1,847)	—	—	(1,847)
Other assets	(2,195)	—	—	(2,195)
Change in Liabilities: Increase (Decrease)				
Vouchers and accounts payable	3,934	2,753	(5,019)	1,668
Accrued payroll	959	68	127	1,154
Other payables	1,613	16	3,810	5,439
Estimated liability for self-insurance claims – current	1,120	1,032	38,352	40,504
Estimated liability for self-insurance claims – noncurrent	—	(77,378)	(23,881)	(101,259)
Total Adjustments	9,717	(73,293)	13,661	(49,915)
Net Cash Provided (Used) by Operating Activities	$ 5,219	$ (6,025)	$ 15,927	$ 15,121

See accompanying independent auditor's report.

SUPPLEMENTARY INFORMATION

LOS ANGELES UNIFIED SCHOOL DISTRICT
Assessed Value of Taxable Property
Last Ten Fiscal Years
(in thousands)
(Unaudited)

Fiscal Year	Secured*	Unsecured*	Total Assessed Value	Total District Tax Rates	Increase (Decrease) Over Preceding Year Amount	Increase (Decrease) Over Preceding Year Rate	Total ADA**	Assessed Value per Unit of ADA
2011-2012	447,830,204	21,265,021	469,095,225	1.168187	5,249,674	1.13	547,592	857
2012-2013	458,767,053	21,308,439	480,075,492	1.175606	10,980,267	2.34	534,345	898
2013-2014	482,043,584	21,634,336	503,677,920	1.146439	23,602,428	4.92	527,995	954
2014-2015	510,371,502	22,562,705	532,934,207	1.146881	29,256,287	5.81	516,229	1,032
2015-2016	546,807,059	23,362,405	570,169,464	1.129709	37,235,257	6.99	503,367	1,133
2016-2017	581,473,213	24,495,794	605,969,007	1.131096	35,799,543	6.28	491,856	1,232
2017-2018	619,162,082	25,342,665	644,504,747	1.122192	38,535,740	6.36	478,591	1,347
2018-2019	665,355,078	27,377,547	692,732,625	1.123226	48,227,878	7.48	454,010	1,526
2019-2020	710,954,606	28,442,486	739,397,092	1.125520	46,664,467	6.74	454,905 [acd]	1,625 [a]
2020-2021	759,004,740	28,679,271	787,684,011	1.139929	48,286,919	6.53	454,905 [bd]	1,732 [b]

* 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: ADA – Average Daily Attendance, Annual Report

[a] Condensed reporting period. Due to the COVID-19 pandemic, the California Department of Education reduced the school year for ADA purposes and included only the full school months that ended on or before February 29, 2020.

[b] To ensure funding stability in light of the COVID-19 pandemic, the 2020-21 State Budget included a hold-harmless provision for the purpose of calculating apportionments in fiscal year 2020-21. The provision provided that apportionment be based on fiscal year 2019-20 ADA. As a result, ADA reported is the same as the prior year.

[c] Adjusted for fiscal year 2019-20 audit finding.

[d] The data presented is based on the latest ADA information submitted to CDE for school year 2019-20. During fiscal year 2020-21, CDE credited additional ADA to the District for the closure of two independent charter schools, Excelencia Charter Academy and Animo College Preparatory Academy. The ADA credits for these two schools which closed on 6/30/2020, totaling 86.54 and 343.72 for K-3 and 9-12, respectively, are not included in the above table.

See accompanying independent auditor's report.

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

	2021			2012		
Rank	Property Owner	Assessed Valuation	% of Total [1]	Property Owner	Assessed Valuation	% of Total [2]
1	Douglas Emmett LLC	$ 2,968,028	0.39%	Douglas Emmett Realty Funds	$ 2,298,099	0.51%
2	Universal Studios LLC	2,684,592	0.35	Universal Studios LLC	1,212,699	0.27
3	Essex Portfolio LP	2,280,624	0.30	Anheuser Busch Inc.	779,369	0.17
4	Century City Mall LLC	1,079,951	0.14	One Hundred Towers LLC	583,509	0.13
5	FSP South Flower Street	954,846	0.13	Donald T. Sterling	552,750	0.12
6	Rochelle H. Sterling	873,994	0.12	Tishman Speyer Archstone Smith	499,686	0.11
7	Hanjin International Corp.	869,407	0.11	Duesenberg Investment Company	489,048	0.11
8	SM 10000 Property LLC	832,662	0.11	Paramount Pictures Corp.	473,289	0.11
9	Rexford Industrial Realty LP	798,266	0.11	Century City Mall LLC	459,585	0.10
10	Omni Wilshire Courtyard LLC	786,522	0.10	Taubman-Beverly Center	458,763	0.10
11	Anheuser Busch Commercial	748,192	0.10	Casden Park La Brea	455,877	0.10
12	Greenland LA Metropolis	739,588	0.10	BRE Properties Inc	454,392	0.10
13	One Hundred Towers LLC	679,564	0.09	Westfield Topanga Owner LP	447,375	0.10
14	Trizec 333 LA LLC	666,888	0.09	Trizec 333 LA LLC	383,700	0.09
15	Maguire Properties 355 S. Grand LLC	623,678	0.08	Twentieth Century Fox Film Corp.	378,866	0.08
16	BRE HH Property Owner LLC	618,887	0.08	LA Live Properties LLC	375,555	0.08
17	Tishman Speyer Archstone Smith	596,094	0.08	Next Century Associates LLC	367,049	0.08
18	Olympic and Georgia Partners LLC	586,764	0.08	1999 Stars LLC	350,305	0.08
19	LA Live Properties LLC	557,714	0.07	BP West Coast Products LLC	347,702	0.08
20	Maguire Properties 555 W. Fifth	546,884	0.07	AP Properties Ltd.	338,255	0.08
		$ 20,493,145	2.70%		$ 11,705,873	2.60%

(1) 2020-2021 Local Secured Assessed Valuation: $758,850,059

(2) 2011-2012 Local Secured Assessed Valuation: $447,659,366

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
2011-2012	$ 1,663,061	$ (3,533)	$ 1,520,001	91.59%	$ 97,842	$ 1,617,843	97.49%
2012-2013	1,731,129	114,465	1,798,032	97.42	132,847	1,930,879	104.62
2013-2014	1,652,164	26,846	1,684,486	100.33	29,409	1,713,895	102.08
2014-2015	1,779,935	35,339	1,798,657	99.08	38,226	1,836,883	101.19
2015-2016	1,799,477	171,532	1,959,111	99.40	31,529	1,990,640	101.00
2016-2017	1,904,567	232,966	2,107,292	98.59	25,977	2,133,269	99.80
2017-2018	1,985,501	255,167	2,184,304	97.48	49,404	2,233,708	99.69
2018-2019	2,134,918	234,519	2,347,069	99.06	61,128	2,408,197	101.64
2019-2020	2,305,773	216,281	2,467,267	97.83	40,975	2,508,242	99.45
2020-2021	2,564,883	256,204	2,756,243	97.70	66,318	2,822,561	100.05

(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
Organization Structure
Year Ended June 30, 2021
(Unaudited)

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

Geographical Area: 710 square miles

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

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

Name	Board District	Expiration of Term
Kelly Gonez, President	6	December 11, 2022
George McKenna	1	December 16, 2024
Mónica García	2	December 11, 2022
Scott Schmerelson	3	December 16, 2024
Nick Melvoin	4	December 11, 2022
Jackie Goldberg	5	December 16, 2024
Tanya Ortiz Franklin	7	December 16, 2024

Name	Title
Megan Reilly	Interim Superintendent of Schools
Pedro Salcido	Interim Deputy Superintendent, Business Services & Operations
David Baca	Chief of Schools, Local District Support
Roberto Martinez	Associate Superintendent, School Climate, Culture and Safety
Alison Yoshimoto-Towery	Chief Academic Officer
Veronica Arreguin	Chief Strategy Officer
Tony Aguilar	Chief Special Education, Equity and Access
Mark Hovatter	Chief Facilities Executive
David Hart	Chief Financial Officer
Luis Buendia	Deputy Chief Financial Officer
Soheil Katal	Chief Information Officer
Devora Navera Reed	General Counsel
Karla Gould	Personnel Director

Date of Establishment: 1854 as the Common Schools for the City of Los Angeles and became a unified school district in 1960.

Fiscal Year: July 1 – June 30

Number of Schools:

(As of October)	2017-2018	2018-2019	2019-2020	2020-2021
Elementary Schools	448	445	440	438
Middle/Junior High Schools	82	81	79	78
Senior High Schools	94	94	92	89
Options Schools	54	54	54	54
Special Education Schools	14	14	14	13
Magnet Schools	49	54	61	65
Magnet Centers	177	203	231	245
Community Adult Schools	2	2	1	1
Regional Occupational Centers	6	6	6	7
Skills Centers	3	3	4	2
Early Education Centers	86	86	86	87
Infant Centers	4	4	4	4
California State Preschools	89	90	88	89
Primary School Centers	19	19	19	18
Multi-level Schools	25	24	25	28
Total Schools and Centers	1,152	1,179	1,204	1,218
Independent Charter Schools	224	225	226	229

See accompanying independent auditor's report.

LOS ANGELES UNIFIED SCHOOL DISTRICT
Schedule of Instructional Time Offered
Year Ended June 30, 2021

Grade Level	Required Minimum Daily Instructional Minutes	Minimum Actual Minutes Offered	Number of Instructional Days Offered	Complied with Instructional Minutes and Days Provisions
Kindergarten	180	180	180	Yes
Grades 1 to 3	230	230	180	Yes
Grades 4 to 6	240	240	180	Yes
Grades 7 to 8	240	240	180	Yes
Grades 9 to 12	240	240	180	Yes

Notes:

1. For the 2020-21 school year, only minimum daily instructional minutes were required; annual instructional minutes requirement was waived pursuant to EC Section 43502(d)(1).
2. For students in Opportunity and Continuation schools, the required minimum daily instructional minutes was 180.
3. The above schedule applies to all District schools, including affiliated charter schools.

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

LOS ANGELES UNIFIED SCHOOL DISTRICT
Schedule of Financial Trends and Analysis
Year Ended June 30, 2021
(Dollars in thousands)

	2021-2022 Budgeted	2020-2021 Actual	2019-2020 Actual	2018-2019 Actual	2017-2018 Actual
General Fund:					
Revenues	$ 11,776,475	$ 8,744,994	$ 7,591,570	$ 7,732,610	$ 7,268,645
Other Financing Sources	30,025	265,007	22,145	56,100	39,431
Total Revenues and Other Financing Sources	11,806,500	9,010,001	7,613,715	7,788,710	7,308,076
Expenditures	9,701,492	8,166,021	7,730,286	7,542,236	7,007,852
Other Financing Uses	55,101	38,165	50,805	40,397	54,594
Total Expenditures and Other Financing Uses	9,756,593	8,204,186	7,781,091	7,582,633	7,062,446
Change in Fund Balance	2,049,907	805,815	(167,376)	206,077	245,630
Beginning Fund Balance	2,714,365	2,049,474	2,216,850	2,010,773	1,765,143
Ending Fund Balance	$ 4,764,272	$ 2,855,289	$ 2,049,474	$ 2,216,850	$ 2,010,773
Available Reserves*	$ 1,402,976	$ 1,533,263	$ 571,426	$ 984,235	$ 790,056
Unassigned Reserve for Economic Uncertainties	$ 97,670	$ 91,990	$ 79,000	$ 75,618	$ 75,381
Unassigned Fund Balance	$ 1,305,306	$ 1,441,273	$ 492,426	$ 908,617	$ 714,675
Available Reserves as a Percentage of Total Expenditures and Other Financing Uses	14.38%	18.69%	7.34%	12.98%	11.19%
Total Long-Term Debt	$ 31,482,813	$ 31,658,402	$ 28,402,060	$ 29,982,661	$ 34,273,411
Average Daily Attendance (ADA) at P-2	410,416	455,356 [a]	454,848	451,551	478,350

The General Fund has maintained a positive ending fund balance for the past four fiscal years presented in this schedule.
For a district this size, the State has recommended available reserves to be at least 1% of total General Fund expenditures and other financing uses. The District has been able to meet these requirements for the past four fiscal years.

* Available reserves consist of all unassigned fund balances and unassigned reserve for economic uncertainties.

[a] To ensure funding stability in light of the COVID-19 pandemic, the 2020-21 State Budget and California Education Code section EC Section 2575(g)(2) included a hold-harmless provision for the purpose of calculating apportionments in fiscal year 2020-21. The provision provided that apportionment be based on fiscal year 2019-20 ADA. As such, the District's ADA data presented for fiscal year 2020-21 is 2019-20 annual ADA plus credits and growth adjustments received in 2020-21.

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

LOS ANGELES UNIFIED SCHOOL DISTRICT
Schedule to Reconcile the Annual Financial Budget Report (SACS)
with Audited Financial Statements
Year Ended June 30, 2021
(in thousands)

	General Fund	District Bonds	Other Governmental *
June 30, 2021 Unaudited Actual Financial Reports			
Fund Balances	$ 2,856,553	$ 1,589,883	$ 609,604
Adjustments:			
To adjust expenditure accruals	(1,264)	(32,929)	(802)
June 30, 2021 Audited Financial Statement			
Fund Balances	$ 2,855,289	$ 1,556,954	$ 608,802

* The adjustment in the Other Governmental includes the following funds:	
County School Facilities Fund (Fund 351)	$ (203)
Special Reserve - FEMA Earthquake (Fund 402)	(7)
Special Reserve (Fund 401)	(52)
Capital Facilities Fund (Fund 250)	(540)
Total Other Governmental Funds	$ (802)

There were no adjustments to fund balances for funds not presented above.

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

		State Charter Number	CDS Code	Affiliated	Fiscally Independent	Included in the District Audit
1	Alfred B. Nobel Charter Middle School	1480	19 64733 6061543	x		Yes
2	Beckford Charter for Enriched Studies	1344	19 64733 6015986	x		Yes
3	Calabash Charter Academy	1345	19 64733 6016240	x		Yes
4	Calvert Charter for Enriched Studies	1585	19 64733 6016265	x		Yes
5	Canyon Charter Elementary School	0226	19 64733 6016323	x		Yes
6	Carpenter Community Charter School	1235	19 64733 6016356	x		Yes
7	Castlebay Lane Charter School	1477	19 64733 6071435	x		Yes
8	Chatsworth Charter High School	1581	19 64733 1931708	x		Yes
9	Colfax Charter Elementary School	1041	19 64733 6016562	x		Yes
10	Community Magnet Charter Elementary School	0957	19 64733 6094726	x		Yes
11	Dearborn Elementary Charter Academy	1481	19 64733 6016729	x		Yes
12	Dixie Canyon Community Charter School	1469	19 64733 6016778	x		Yes
13	Dr. Theodore T. Alexander Jr. Science Center	0604	19 64733 0102491	x		Yes
14	El Oro Way Charter For Enriched Studies	1466	19 64733 6016869	x		Yes
15	Emerson Community Charter School	1688	19 64733 6057988	x		Yes
16	Enadia Way Technology Charter	1474	19 64733 0117036	x		Yes
17	Encino Charter Elementary School	1471	19 64733 6016935	x		Yes
18	Gaspar de Portola Charter Middle	2074	19 64733 6061584	x		Yes
19	George Ellery Hale Charter Academy	1346	19 64733 6061477	x		Yes
20	Grover Cleveland Charter High School	1571	19 64733 1931864	x		Yes
21	Hamlin Charter Academy	1472	19 64733 6017438	x		Yes
22	Haynes Charter For Enriched Studies	1470	19 64733 6017529	x		Yes
23	Hesby Oaks Leadership Charter	1468	19 64733 0112060	x		Yes
24	Justice Street Academy Charter School	1487	19 64733 6017693	x		Yes
25	Kenter Canyon Elementary Charter	0227	19 64733 6017701	x		Yes
26	Knollwood Preparatory Academy	1486	19 64733 6017743	x		Yes
27	Lockhurst Drive Charter Elementary	1478	19 64733 6017891	x		Yes
28	Marquez Charter School	0228	19 64733 6018063	x		Yes
29	Nestle Avenue Charter School	1465	19 64733 6018287	x		Yes
30	Open Charter Magnet School	0012	19 64733 6097927	x		Yes
31	Palisades Charter Elementary	0229	19 64733 6018634	x		Yes
32	Paul Revere Charter Middle	0225	19 64733 6058267	x		Yes
33	Plainview Academic Charter Academy	1435	19 64733 6018725	x		Yes
34	Pomelo Community Charter School	1347	19 64733 6018774	x		Yes
35	Reseda Charter High School	2005	19 64733 1937226	x		Yes
36	Riverside Drive Charter School	1362	19 64733 6018923	x		Yes
37	Robert A. Millikan Affiliated Charter & Performing Arts Magnet Middle School	1473	19 64733 6058150	x		Yes
38	Serrania Avenue Charter School for Enriched Studies	1484	19 64733 6019111	x		Yes
39	Sherman Oaks Elementary Charter School	1348	19 64733 6019186	x		Yes
40	Superior Street Elementary	1476	19 64733 6019392	x		Yes
41	Sylmar Charter High School	1834	19 64733 1938554	x		Yes
42	Taft Charter High School	1580	19 64733 1938612	x		Yes
43	Topanga Elementary Charter School	0230	19 64733 6019525	x		Yes
44	Topeka Charter School For Advanced Studies	1475	19 64733 6019533	x		Yes
45	University High School Charter	2006	19 64733 1938885	x		Yes
46	Van Gogh Charter School	1479	19 64733 6019673	x		Yes
47	Welby Way Charter and Gifted/High-Ability Magnet Center Elementary School	1349	19 64733 6019855	x		Yes
48	Westwood Charter Elementary School	0031	19 64733 6019939	x		Yes
49	Wilbur Charter For Enriched Academics	1482	19 64733 6019954	x		Yes
50	Woodlake Elementary Community Charter	1483	19 64733 6020036	x		Yes
51	Woodland Hills Elementary Charter For Enriched Studies	1485	19 64733 6020044	x		Yes

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

(Continued)

LOS ANGELES UNIFIED SCHOOL DISTRICT
Schedule of Charter Schools (Continued)
Year Ended June 30, 2021
(Unaudited)

		State Charter Number	CDS Code	Affiliated	Fiscally Independent	Included in the District Audit
52	Academia Moderna	1101	19 64733 0120097		x	No
53	Academy of Media Arts	2038	19 64733 0139055		x	No
54	Academic Performance Excellence Academy (APEX)	1459	19 64733 0117077		x	No
55	Accelerated	0045	19 64733 6112536		x	No
56	Accelerated Charter Elementary School (ACES)	0539	19 64733 0100743		x	No
57	Alain Leroy Locke College Preparatory Academy	1050	19 64733 0118588		x	No
58	Alliance Alice M. Baxter College-Ready High	1460	19 64733 0127217		x	No
59	Alliance Cindy and Bill Simon Technology Academy High School	1161	19 64733 0121285		x	No
60	Alliance College-Ready Middle Academy 12	1533	19 64733 0128058		x	No
61	Alliance College-Ready Middle Academy 4	1096	19 64733 0120030		x	No
62	Alliance College-Ready Middle Academy 5	1097	19 64733 0120048		x	No
63	Alliance College-Ready Middle Academy 8	1531	19 64733 0128033		x	No
64	Alliance Collins Family College-Ready High School	0718	19 64733 0108936		x	No
65	Alliance Dr. Olga Mohan High School	0790	19 64733 0111500		x	No
66	Alliance Gertz-Ressler Richard Merkin 6-12 Complex	0645	19 64733 0106864		x	No
67	Alliance Jack H. Skirball Middle School	0779	19 64733 0111518		x	No
68	Alliance Judy Ivie Burton Technology Academy High	0714	19 64733 0108894		x	No
69	Alliance Kory Hunter Middle School	1532	19 64733 0128041		x	No
70	Alliance Leichtman-Levine Family Foundation Environmental Science High	0929	19 64733 0117606		x	No
71	Alliance Marc & Eva Stern Math and Science (California State University Los Angeles Campus)	0788	19 64733 0111658		x	No
72	Alliance Margaret M. Bloomfield Technology Academy High	1356	19 64733 0124941		x	No
73	Alliance Marine - Innovation and Technology 6-12 Complex	1738	19 64733 0132084		x	No
74	Alliance Morgan McKinzie High	0928	19 64733 0116509		x	No
75	Alliance Ouchi-O'Donovan 6-12 Complex	0784	19 64733 0111641		x	No
76	Alliance Patti And Peter Neuwirth Leadership Academy	0789	19 64733 0111492		x	No
77	Alliance Piera Barbaglia Shaheen Health Services Academy	0927	19 64733 0117598		x	No
78	Alliance Renee and Meyer Luskin Academy High School	1343	19 64733 0124891		x	No
79	Alliance Susan and Eric Smidt Technology High School	1163	19 64733 0123133		x	No
80	Alliance Ted K Tajima High	1164	19 64733 0123141		x	No
81	Alliance Tennenbaum Family Technology High School*	1162	19 64733 0121293		x	No
82	Alliance Virgil Roberts Leadership Academy	1530	19 64733 0128009		x	No
83	Anahuacalmecac International University Preparatory of North America	1685	19 64733 0132928		x	No
84	Animo Ellen Ochoa Charter Middle School	1286	19 64733 0123992		x	No
85	Animo Florence-Firestone Charter Middle	1794	19 64733 0134023		x	No
86	Animo Jackie Robinson High School	0793	19 64733 0111583		x	No
87	Animo James B. Taylor Charter Middle School	1287	19 64733 0124008		x	No
88	Animo Jefferson Charter Middle School	1216	19 64733 0122481		x	No
89	Animo Legacy Charter Middle School(Clay Campus)*	1288	19 64733 0124016		x	No
90	Animo Mae Jemison Charter Middle School	1624	19 64733 0129270		x	No
91	Animo Pat Brown High School	0649	19 64733 0106849		x	No
92	Animo Ralph Bunche Charter High School	0781	19 64733 0111575		x	No
93	Animo South Los Angeles Charter Senior School	0602	19 64733 0102434		x	No
94	Animo Venice Charter High School	0648	19 64733 0106831		x	No
95	Animo Watts College Preparatory Academy	0783	19 64733 0111625		x	No
96	Animo Westside Charter Middle School	1217	19 64733 0122499		x	No
97	Ararat Charter School	1156	19 64733 0121079		x	No
98	Arts In Action Community Charter School	1218	19 64733 0123158		x	No
99	Arts in Action Community Middle School	1806	19 64733 0134205		x	No
100	Aspire Centennial College Preparatory Academy	1436	19 64733 0126797		x	No
101	Aspire Firestone Academy*	1214	19 64733 0122622		x	No
102	Aspire Gateway Academy Charter*	1213	19 64733 0122614		x	No
103	Aspire Inskeep Academy Charter*	1332	19 64733 0124800		x	No
104	Aspire Juanita Tate Academy Charter*	1331	19 64733 0124792		x	No

* PSC = Public School Choice

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

LOS ANGELES UNIFIED SCHOOL DISTRICT
Schedule of Charter Schools (Continued)
Year Ended June 30, 2021
(Unaudited)

		State Charter Number	CDS Code	Affiliated	Fiscally Independent	Included in the District Audit
105	Aspire Junior Collegiate Academy	1551	19 64733 0114884		x	No
106	Aspire Pacific Academy	1230	19 64733 0122721		x	No
107	Aspire Slauson Academy Charter*	1330	19 64733 0124784		x	No
108	Aspire Titan Academy	1550	19 64733 0120477		x	No
109	Bert Corona Charter School	0654	19 64733 0106872		x	No
110	Bert Corona Charter High	1724	19 64733 0132126		x	No
111	Birmingham Community Charter High School	1119	19 64733 1931047		x	No
112	Bright Star Secondary Charter Academy	0826	19 64733 0112508		x	No
113	California Collegiate Charter	1771	19 64733 0133884		x	No
114	Camino Nuevo Charter Academy 2(Kayne Siart)	1231	19 64733 0122861		x	No
115	Camino Nuevo Charter Academy 4(Cisneros)*	1334	19 64733 0124826		x	No
116	Camino Nuevo Charter Academy(Burlington)	0293	19 64733 6117667		x	No
117	Camino Nuevo Charter High School (Miramar)	0635	19 64733 0106435		x	No
118	Camino Nuevo Elementary School 3 (Eisner)*	1212	19 64733 0122564		x	No
119	Camino Nuevo High 2 School (Dalzell Lance)	1540	19 64733 0127910		x	No
120	CATCH Prep Charter High, Inc.	0570	19 64733 0101659		x	No
121	Center for Advanced Learning	0937	19 64733 0115139		x	No
122	Central City Value High School	0534	19 64733 0100800		x	No
123	CHAMPS - Charter HS of Arts-Multimedia & Performing	0712	19 64733 0108878		x	No
124	CHIME Institute's Schwarzenegger Community School	0417	19 64733 6119531		x	No
125	Citizen of the World 5	2082	19 64733 0139832		x	No
126	Citizens of the World Charter School Hollywood	1200	19 64733 0122556		x	No
127	Citizens of the World Charter School Mar Vista(Gateway)	1414	19 64733 0126193		x	No
128	Citizens of the World Charter School Silver Lake	1413	19 64733 0126177		x	No
129	City Language Immersion Charter	1538	19 64733 0127886		x	No
130	Collegiate Charter High School of Los Angeles	1722	19 64733 0131821		x	No
131	Crete Academy	1854	19 64733 0135616		x	No
132	Crown Preparatory Academy	1187	19 64733 0121848		x	No
133	Discovery Charter Preparatory School 2	0949	19 64733 0115253		x	No
134	Downtown Value School	0448	19 64733 6119903		x	No
135	Ednovate - Brio College Prep	1843	19 64733 0135723		x	No
136	Ednovate - East College Prep	1702	19 64733 0132282		x	No
137	Ednovate - Esperanza College Prep	1842	19 64733 0135715		x	No
138	Ednovate - USC Hybrid High College Prep	1401	19 64733 0125864		x	No
139	Ednovate South LA College Prep 7	2087	19 64733 0140129		x	No
140	El Camino Real Charter High School	1314	19 64733 1932623		x	No
141	El Rio Community	2080	19 64733 0140004		x	No
142	Endeavor College Preparatory Charter School	1094	19 64733 0120014		x	No
143	Equitas Academy 2	1402	19 64733 0126169		x	No
144	Equitas Academy 3 Charter	1669	19 64733 0129650		x	No
145	Equitas Academy 4	1785	19 64733 0133686		x	No
146	Equitas Academy 5	2040	19 64733 0139121		x	No
147	Equitas Academy 6	2030	19 64733 0138883		x	No
148	Equitas Academy Charter	1093	19 64733 0119982		x	No
149	Everest Value School	1638	19 64733 0129858		x	No
150	Extera Public School	1300	19 64733 0124198		x	No
151	Extera Public School No. 2	1562	19 64733 0128132		x	No
152	Fenton Avenue Charter School	0030	19 64733 6017016		x	No
153	Fenton Charter Leadership Academy	1613	19 64733 0131722		x	No
154	Fenton Primary Center	0911	19 64733 0115048		x	No
155	Fenton STEM Academy: Elementary Center for Science Technology Engineering and Mathematics	1605	19 64733 0131466		x	No
156	Gabriella Charter	0713	19 64733 0108886		x	No
157	Gabriella Charter 2	1853	19 64733 0135509		x	No
158	Girls Athletic Leadership School Los Angeles	1791	19 64733 0133710		x	No
159	Global Education Academy	0934	19 64733 0114967		x	No

* PSC = Public School Choice

See accompanying independent auditor’s report and notes to supplementary information. (Continued)

LOS ANGELES UNIFIED SCHOOL DISTRICT
Schedule of Charter Schools (Continued)
Year Ended June 30, 2021
(Unaudited)

		State Charter Number	CDS Code	Affiliated	Fiscally Independent	Included in the District Audit
160	Global Education Academy 2	1641	19 64733 0129833		x	No
161	Goethe International Charter School	1036	19 64733 0117978		x	No
162	Granada Hills Charter High School	0572	19 64733 1933746		x	No
163	High Tech Los Angeles High School	0537	19 64733 0100677		x	No
164	High Tech LA Middle School	1929	19 64733 0137471		x	No
165	ICEF Innovation Los Angeles Charter	1037	19 64733 0117952		x	No
166	ICEF View Park Preparatory High School	0543	19 64733 0101196		x	No
167	ICEF View Park Preparatory Elementary School	0190	19 64733 6117048		x	No
168	ICEF View Park Preparatory Middle School	0506	19 64733 6121081		x	No
169	ICEF Vista Elementary Academy	1039	19 64733 0117937		x	No
170	ICEF Vista Middle Academy	0953	19 64733 0115287		x	No
171	Ingenium Charter	1157	19 64733 0121137		x	No
172	Ingenium Charter Middle School	1536	19 64733 0127985		x	No
173	Invictus Leadership Academy	2088	19 64733 0140111		x	No
174	ISANA Cardinal Academy	1285	19 64733 0123984		x	No
175	ISANA Nascent Academy	0716	19 64733 0108910		x	No
176	ISANA Octavia Academy	1232	19 64733 0122655		x	No
177	ISANA Palmati Academy	1246	19 64733 0123166		x	No
178	Ivy Academia Charter School	0619	19 64733 0106351		x	No
179	Ivy Bound Academy Math, Science, and Technology Charter Middle 2	1570	19 64733 0128389		x	No
180	Ivy Bound Academy of Math, Science, and Technology Charter Middle	0936	19 64733 0115113		x	No
181	James Jordan Middle School	0734	19 64733 0109884		x	No
182	KIPP Academy of Innovation	1586	19 64733 0128512		x	No
183	KIPP Academy of Opportunity	0530	19 64733 0101444		x	No
184	KIPP Comienza Community Prep	1196	19 64733 0121707		x	No
185	KIPP Corazon Academy	1855	19 64733 0135517		x	No
186	KIPP Empower Academy	1195	19 64733 0121699		x	No
187	KIPP Ignite Academy	1720	19 64733 0131771		x	No
188	KIPP Iluminar Academy	1508	19 64733 0127670		x	No
189	KIPP Los Angeles College Preparatory	0531	19 64733 0100867		x	No
190	KIPP Philosophers Academy	1378	19 64733 0125609		x	No
191	KIPP Promesa Prep	1721	19 64733 0131797		x	No
192	KIPP Pueblo Unido	2041	19 64733 0139071		x	No
193	KIPP Raices Academy	1010	19 64733 0117903		x	No
194	KIPP Scholar Academy	1377	19 64733 0125625		x	No
195	KIPP Sol Academy	1379	19 64733 0125641		x	No
196	KIPP Vida Preparatory Academy	1587	19 64733 0129460		x	No
197	Larchmont Charter School	0717	19 64733 0108928		x	No
198	Learning by Design Charter	1959	19 64733 0137513		x	No
199	Libertas College Preparatory Charter	1711	19 64733 0131904		x	No
200	Los Angeles Academy of Arts and Enterprise Charter (LAAAE)	0675	19 64733 0110304		x	No
201	Los Angeles Leadership Academy	0461	19 64733 1996610		x	No
202	Los Angeles Leadership Primary Academy	1333	19 64733 0124818		x	No
203	Los Feliz Charter Middle School for the Arts	1960	19 64733 0137463		x	No
204	Los Feliz Charter School for the Arts	0827	19 64733 0112235		x	No
205	Magnolia Science Academy 4	0986	19 64733 0117622		x	No
206	Magnolia Science Academy 6	0988	19 64733 0117648		x	No
207	Magnolia Science Academy 7	0989	19 64733 0117655		x	No
208	Magnolia Science Academy Bell*	1236	19 64733 0122747		x	No
209	Math and Science College Preparatory	1412	19 64733 0126136		x	No
210	Matrix for Success Academy	1961	19 64733 0137562		x	No
211	Monsenor Oscar Romero Charter Middle	0931	19 64733 0114959		x	No

* PSC = Public School Choice

See accompanying independent auditor’s report and notes to supplementary information. (Continued)

		State Charter Number	CDS Code	Affiliated	Fiscally Independent	Included in the District Audit
212	Montague Charter Academy for the Arts and Sciences	0115	19 64733 6018204		x	No
213	Multicultural Learning Center	0388	19 64733 6119044		x	No
214	N.E.W. Academy Canoga Park	0592	19 64733 0102483		x	No
215	N.E.W. Academy of Science and Arts	0521	19 64733 0100289		x	No
216	New Designs Charter School	0601	19 64733 0102541		x	No
217	New Designs Charter School-Watts	1120	19 64733 0120071		x	No
218	New Heights Charter School	0761	19 64733 0111211		x	No
219	New Horizons Charter Academy	1567	19 64733 0128371		x	No
220	New Los Angeles Charter School	0998	19 64733 0117614		x	No
221	New Los Angeles Elementary School	1788	19 64733 0133702		x	No
222	New Millennium Secondary School	1020	19 64733 0117911		x	No
223	New Village Girls Academy	0791	19 64733 0111484		x	No
224	Ocean Charter School	0569	19 64733 0102335		x	No
225	Oscar De La Hoya Animo Charter High School	0581	19 64733 0101675		x	No
226	Our Community Charter School	0739	19 64733 0109934		x	No
227	Pacoima Charter Elementary	0583	19 64733 6018642		x	No
228	Palisades Charter High School	0037	19 64733 1995836		x	No
229	Para Los Niños - Evelyn Thurman Gratts Primary Center*	1215	19 64733 0122630		x	No
230	Para Los Niños Charter School	0475	19 64733 6120489		x	No
231	Para Los Niños Middle School	1007	19 64733 0117846		x	No
232	Port of Los Angeles High School	0542	19 64733 0107755		x	No
233	PREPA TEC - Los Angeles	1542	19 64733 0127936		x	No
234	Public Policy Charter	1703	19 64733 0131847		x	No
235	PUC CALS Charter Middle and Early College High School	0331	19 64733 0133298		x	No
236	PUC Community Charter Elementary	1657	19 64733 0129619		x	No
237	PUC Community Charter Middle and PUC Community Charter Early College High	0213	19 64733 6116750		x	No
238	PUC Early College Academy for Leaders and Scholars (ECALS)*	1354	19 64733 0124933		x	No
239	PUC Excel Charter Academy	0798	19 64733 0112201		x	No
240	PUC Inspire Charter Academy	1626	19 64733 0129593		x	No
241	PUC Lakeview Charter Academy	0603	19 64733 0102442		x	No
242	PUC Lakeview Charter High	1241	19 64733 0122606		x	No
243	PUC Milagro Charter	0600	19 64733 0102426		x	No
244	PUC Nueva Esperanza Charter Academy	1092	19 64733 0133280		x	No
245	PUC Triumph Charter Academy and PUC Triumph Charter High School	0797	19 64733 0133272		x	No
246	PUENTE Charter School (ELA Site)	0473	19 64733 6120471		x	No
247	Renaissance Arts Academy	0579	19 64733 0101683		x	No
248	Resolute Academy Charter	1642	19 64733 0131870		x	No
249	Rise Kohyang Elementary	1927	19 64733 0136994		x	No
250	Rise Kohyang High School	1786	19 64733 0133868		x	No
251	Rise Kohyang Middle	1315	19 64733 0124222		x	No
252	Santa Monica Boulevard Community Charter School	0446	19 64733 6019079		x	No
253	Scholarship Prep South Bay	2042	19 64733 0139097		x	No
254	Stella Elementary Charter Academy	1866	19 64733 0137604		x	No
255	Stella Middle Charter Academy	0535	19 64733 0100669		x	No
256	STEM Preparatory Elementary	1925	19 64733 0136986		x	No
257	Synergy Charter Academy	0636	19 64733 0106427		x	No
258	Synergy Kinetic Academy*	1014	19 64733 0117895		x	No
259	Synergy Quantum Academy*	1299	19 64733 0124560		x	No
260	TEACH Academy of Technologies	1206	19 64733 0122242		x	No
261	TEACH Preparatory Mildred S. Cunningham & Edith H. Morris Elementary School	2004	19 64733 0138305		x	No
262	TEACH Tech Charter High School	1658	19 64733 0129627		x	No
263	The City School	1710	19 64733 0134148		x	No
264	University Preparatory Value High	1723	19 64733 0132027		x	No

* PSC = Public School Choice

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

LOS ANGELES UNIFIED SCHOOL DISTRICT
Schedule of Charter Schools (Continued)
Year Ended June 30, 2021
(Unaudited)

		State Charter Number	CDS Code	Affiliated	Fiscally Independent	Included in the District Audit
265	Valley Charter Elementary School	1237	19 64733 0122754		x	No
266	Valley Charter Middle School	1238	19 64733 0122838		x	No
267	Valley International Preparatory High	1926	19 64733 0137612		x	No
268	Valor Academy Elementary School	1787	19 64733 0133694		x	No
269	Valor Academy High School	1539	19 64733 0127894		x	No
270	Valor Academy Middle School	1095	19 64733 0120022		x	No
271	Vaughn Next Century Learning Center(Mainland/MIT)	0016	19 64733 6019715		x	No
272	Village Charter Academy	1639	19 64733 0129866		x	No
273	Vista Charter Middle School	1234	19 64733 0122739		x	No
274	Vista Horizon Global Academy	2043	19 64733 0139089		x	No
275	Vox Collegiate of Los Angeles	1917	19 64733 0137521		x	No
276	Wallis Annenberg High School	0538	19 64733 0100750		x	No
277	Watts Learning Center	0131	19 64733 6114912		x	No
278	Watts Learning Center Charter Middle School	1141	19 64733 0120527		x	No
279	WISH Academy High	1863	19 64733 0135632		x	No
280	WISH Community	1627	19 64733 0135921		x	No

* PSC = Public School Choice

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

(1) Statistical Data

The statistical data presented on pages 113-115 offers multi-year trend information and are provided to help the reader understand the District's significant local revenue sources as it relates to the District's overall financial health.

The average daily attendance historical data are not presented in fiscal year 2020-21. Refer to the footnotes of schedules presented on pages 113 and 118.

(2) Purpose of Schedules

(a) Schedule of Average Daily Attendance

Average daily attendance is a measurement of the number of pupils attending classes of the District. The purpose of attendance accounting from a fiscal standpoint is to provide the basis on which apportionments of state funds are made to school districts. This schedule provides information regarding the attendance of students at various grade levels and in different programs.

The schedule of average daily attendance is not presented in fiscal year 2020-21. Refer to the footnotes of schedules presented on pages 113 and 118.

(b) Schedule of Instructional Time Offered

The District has received incentive funding for increasing instructional time as provided by the Incentive for Longer Instructional Day. This schedule presents information on the amount of instructional time offered by the District and whether the District complied with the provisions of Education Code Sections 46201 through 46206.

(c) Schedule of Financial Trends and Analysis

This schedule focuses on financial trends by displaying past years' data along with current budget information and evaluates the District's ability to continue as a going concern for a reasonable period of time.

(d) Reconciliation of Unaudited Actual Financial Reports with Audited Financial Statements

This schedule provides the information necessary to reconcile the differences between fund balances reported on the unaudited actual financial reports and the audited financial statements.

(e) Schedule of Charter Schools

This schedule lists all charter schools chartered by the District, includes the charter school number, and indicates whether or not the charter school is included in the District's audit.

Federal Grantor/Pass-Through Grantor/Program Title	Assistance Listing 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 Lunch	10.555	PCA13523/PCA13524		$ 4,125,907	
Donated Food Commodities	10.555	Not Applicable		14,949,075	
Child Nutrition Summer Food Services Program Operations	10.559	PCA13004		113,733,181	
Child Nutrition Summer Food Services Program Sponsor Administration	10.559	PCA13006		14,235,072	
Subtotal Expenditures – Child Nutrition Cluster					$ 147,043,235
Child Nutrition Child Care Food Program Claims	10.558	PCA13529			53,236,127
Child Nutrition Child Care Food Program – Cash in Lieu of Commodities	10.558	PCA13534			4,259,668
Subtotal Assistance Listing Number 10.558					57,495,795
Child Nutrition Team Nutrition Grants	10.574	PCA15332			3,516
Passed through California Department of Health Services:					
Forest Reserve	10.665	PCA10044		54,804	
Subtotal Expenditures – Forest Service Schools and Roads Cluster					54,804
Subtotal Pass-Through Programs					204,597,350
Total U.S. Department of Agriculture					204,597,350
U.S. Department of Defense:					
Reserve Officer Training Corps Vitalization Act	12.unknown	Not Available			1,889,076
Startalk: Exploring Arabic Through Technology, Startalk - LAUSD	12.900	H98230-20-1-0282			36,786
Subtotal Direct Programs					1,925,862
Total U.S. Department of Defense					1,925,862
U.S. Department of Justice:					
Stop School Violence	16.839	2018-YS-BX-0008			56,863
Subtotal Direct Program					56,863
Total U.S. Department of Justice					56,863
U.S. Department of Labor:					
Passed through Employment Development Department:					
Employment Development Department Trade Act: Trade Adjustment Assistance (TAA)	17.245	Various			54,610
Passed through City of Los Angeles:					
Workforce Innovation and Opportunity Act (WIOA) − Worksource Educational Partnership – Adult	17.258	C-137771		91,660	
WIOA − Worksource Educational Partnership – Dislocated Workers	17.278	C-137771		72,020	
WIOA – T-1 Youth Source System	17.259	C-137535		1,089,840	
Passed through Para Los Ninos:					
WIOA – Youth	17.259	C-136077-L20		101,986	
Subtotal Expenditures – WIOA Cluster					1,355,506
Subtotal Pass-Through Programs					1,410,116
Total U.S. Department of Labor					1,410,116
U.S. Department of Transportation:					
Highway Planning and Construction: Active Transportation Program	20.205	ATPLNI-6508(001)		196,345	
Subtotal Expenditures − Highway Planning and Construction Cluster					196,345
Subtotal Direct Program					196,345
Total U.S. Department of Transportation					196,345

(Continued)

Federal Grantor/Pass-Through Grantor/Program Title	Assistance Listing Number	Grantor or Pass-Through Entity ID Number	Passed Through to Subrecipients	Program Cluster Expenditures	Total Federal Expenditures
U.S. Department of Treasury:					
Passed through California Department of Education:					
COVID-19 − Coronavirus Relief Fund (CRF): Learning Loss Mitigation	21.019	PCA25516			$ 318,098,999
Subtotal Pass-Through Program					318,098,999
Total U.S. Department of Treasury					318,098,999
National Science Foundation:					
USC − Math for America Los Angeles	47.076	Not Available			89,620
Subtotal Direct Program					89,620
Total National Science Foundation					89,620
U.S. Department of Education:					
Indian Education	84.060A	S060A200283			133,000
Gaining Early Awareness and Readiness for Undergraduate Programs (GEAR-UP):					
GEAR-UP 4 LA	84.334A	P334A190002	$ 117,261		2,816,256
GEAR-UP 4 LA	84.334A	P334A140118	509,684		1,480,225
GEAR-UP 4 LA	84.334A	P334A-180080/180081	1,942,889		9,021,601
Subtotal Assistance Listing Number 84.334			2,569,834		13,318,082
Glider Lehman Institute of American History – A More Perfect Union	84.422B	Agreement dated 06/15/2018			10,354
Subtotal Direct Programs					13,461,436
Passed through California Department of Education:					
WIOA – Adult Basic Ed/ELA	84.002A	PCA14508			8,583,151
WIOA – Ad Ed & Fam Lit/EL – Civics	84.002A	PCA14109			4,894,759
WIOA – Adult Secondary Ed	84.002A	PCA13978			3,693,077
Subtotal Assistance Listing Number 84.002					17,170,987
Every Student Succeeds Act (ESSA), Title I Part A. Basic	84.010	PCA14329			337,180,177
ESSA, Title I Part D. Delinquent	84.010	PCA14357			154,238
ESSA, Title I Part A. Neglected	84.010	PCA14329			1,036,295
ESSA, Comprehensive Support & Improvement (CSI)	84.010	PCA15438			7,132,560
Subtotal Assistance Listing Number 84.010					345,503,270
Special Ed: IDEA Local Assistance, Part B, Sec.611 Early Intervening Services	84.027	PCA10119		$ 26,904	
Special Ed: IDEA Basic Local Assistance Entitlement	84.027A	20-13379-64733-01		108,553,489	
Special Ed: IDEA Local Assistance, Private School ISPs	84.027	PCA10115		1,574,887	
Special Ed: IDEA Mental Health Allocation Plan	84.027A	20-15197-64733-01		6,530,287	
Special Ed: IDEA – Alternate Dispute Resolution, Part B – Sec 611	84.027A	19-13007-64733-01		6,499	
Special Ed: IDEA – Supporting Inclusive Practices, Part B – Sec 611	84.027A	19-13693-64733-01		80,000	
IDEA Preschool Expansion Grant	84.173A	19-13430-64733-01		4,886,713	
Preschool Expansion – Staff Development	84.173A	20-13431-64733-01		45,828	
Special Ed: IDEA – Embedded Instruction	84.173A	20-13839-64733-01		13,027	
Subtotal Expenditures – Special Education Cluster (IDEA)					121,717,634
Carl D. Perkins – Secondary Program, Sec131	84.048	PCA14894			5,227,336
Carl D. Perkins – Vocational and Technical Education, Sec 132	84.048	PCA14893			949,162
Subtotal Assistance Listing Number 84.048					6,176,498
Special Ed-Grants for Infants and Families: Early Intervention Funds – Part C	84.181	20-23761-64733-01			1,185,655
Education for Homeless Children & Youth	84.196A	PCA14332			185,043
Twenty-first Century Community Learning Centers	84.287C	PCA14349	934,772		4,721,377
Twenty-first Century Community Learning Centers	84.287C	PCA14535	12,125,356		14,620,100
Twenty-first Century Community Learning Centers	84.287C	PCA14603	—		898,698
Twenty-first Century Community Learning Centers	84.287C	PCA14765	—		520,895
Subtotal Assistance Listing Number 84.287			13,060,128		20,761,070
Title III, English Learner Student	84.365	PCA14346			10,177,450
Title III, Immigrant Student	84.365	PCA15146			1,575,518
Subtotal Assistance Listing Number 84.365					11,752,968
National Professional Development Grant, Project Royal	84.365Z	15-4-81105-28357			100,486
ESSA Title II, Part A, Supporting Effective Instruction	84.367	PCA14341			24,251,179

(Continued)

Federal Grantor/Pass-Through Grantor/Program Title	Assistance Listing Number	Grantor or Pass-Through Entity ID Number	Passed Through to Subrecipients	Program Cluster Expenditures	Total Federal Expenditures
School Improvement Grants	84.377	PCA15364			8,587,757
ESSA: Title IV, Part A, Student Support and Academic Enrichment Grant Program	84.424A	PCA15396			32,355,049
Student Centered Funding	84.424E	S424E200009			389,933
COVID-19 − Elementary and Secondary School Emergency Relief (ESSER) II Fund	84.425D	PCA15547			250,356,057
COVID-19 − ESSER Fund	84.425D	PCA15536			220,841,158
COVID-19 − Coronavirus Aid, Relief, and Economic Security (CARES) Act ESSER Child Nutrition	84.425D	PCA15535			21,771,922
COVID-19 − Governor's Emergency Education Relief (GEER) Fund: Learning Loss Mitigation	84.425C	PCA15517			24,800,153
Subtotal Assistance Listing Number 84.425D/C					517,769,290
Passed through Los Angeles County Office of Education:					
Title I – Migrant Ed – Regular	84.011	PCA14326			732,671
Title I – Migrant Ed – Summer	84.011	PCA14326			112,894
Title I – Migrant Ed – School Readiness	84.011	PCA10144			21,648
Subtotal Assistance Listing Number 84.011					867,213
Passed through California Department of Rehabilitation:					
Rehab − Transition Partnership Program/Trans Part-Greater LA	84.126A	PCA 10006_Agr No 30964,30987,31016,30970,30990			1,344,468
California Career Innovation − Work Based Learning Initiative	84.421B	30834			102,323
Passed through Fresno County Superintendent of Schools:					
WestEd Federal Investing in Innovation and Improvement program i3 Grant	84.411B	S-00015607			19,782
Subtotal Pass-Through Programs					1,110,240,605
Total U.S. Department of Education					1,123,702,041
U.S. Department of Health and Human Services:					
CDCP-School Based HIV/STD Prevention	93.079	5NU87PS004357-02-00; 6NU87PS004357-03-01; 5NU87PS004357-03-00			499,945
Youth Risk Behavior Survey Participation	93.079	20-01116-64733			1,000
Subtotal Assistance Listing Number 93.079					500,945
Subtotal Direct Programs					500,945
Passed through Los Angeles County of Education:					
COVID-19 Epidemiology and Laboratory Capacity for Infectious Diseases (ELC), School Based Covid-19 Testing	93.323	C-21248-20:23			7,187,033
Passed through County of Los Angeles:					
Affordable Care Act (ACA) Maternal, Infant, and Early Childhood Home Visiting Program	93.505	PH-003967			806,872
Child Health Outreach Initiative − Whole Person Care	93.994	PH-002507-16			167,655
Passed through City of Los Angeles:					
County Youth Jobs Program – CalWorks	93.558	C-136452			134,247
Passed through California Department of Social Services:					
California Department of Social Services Refugee Program Bureau	93.566	RSIG18CA			145,809
Passed through California Department of Education:					
General Child Care Center − Block Grant	93.575	PCA15136		$ 1,476,219	
COVID-19 CARES Act General Child Care and Development Child Care Funds	93.575	PCA15549		118,132	
General Child Care Center − Mandatory & Matching Fund	93.596	PCA13609		1,897,358	
Child Care Development Fund - Mandatory Child Care Service	93.596	PCA15163		1,333,414	
Subtotal Expenditures – Child Care and Development Fund Cluster					4,825,123
Passed through Baldwin Park USD:					
Early Head Start	93.600	Not Applicable		104,925	
Subtotal Expenditures – Head Start Cluster					104,925
Subtotal Pass-Through Programs					13,371,664
Total U.S. Department of Health and Human Services					13,872,609
Corporation for National and Community Service:					
Youth Service America Corporation	94.014	FAIN 19MK218080			4,648
Subtotal Direct Program					4,648
Total Corporation for National and Community Service					4,648

(Continued)

LOS ANGELES UNIFIED SCHOOL DISTRICT

Schedule of Expenditures of Federal Awards (Continued)

Year Ended June 30, 2021

Federal Grantor/Pass-Through Grantor/Program Title	Assistance Listing Number	Grantor or Pass-Through Entity ID Number	Passed Through to Subrecipients	Program Cluster Expenditures	Total Federal Expenditures
U.S. Department of Homeland Security:					
Passed through California Governor's Office of Emergency Services:					
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	OES/FEMA-1585-DR			$ 124,025
Hazard Mitigation Grant Program	97.039	PJ-004/PJ-007/PJ0455/PJ-0066			5,331,276
Pre-Disaster Mitigation Competitive Grant Program	97.047	PJ-0376 & PJ-002			4,076,490
Subtotal Pass-Through Programs					9,531,791
Total U.S. Department of Homeland Security					9,531,791
Total Expenditures of Federal Awards			$ 15,629,962	$ 275,297,572	$ 1,673,486,244

LOS ANGELES UNIFIED SCHOOL DISTRICT

Notes to Schedule of Expenditures of Federal Awards

Year Ended June 30, 2021

(1) General

The accompanying schedule of expenditures of federal awards (Schedule) presents the expenditures of all federal financial assistance programs for the Los Angeles Unified School District (District). The District's reporting entity is defined in the notes to the District's basic financial statements. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

(2) Basis of Accounting

The accompanying schedule of expenditures of federal awards is presented using the modified accrual basis of accounting, as described in Note 1 of the notes to the District's basic financial statements. Such expenditures are recognized following the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Therefore, some amounts presented in this Schedule may differ from amounts presented in, or used in, the preparation of the District's basic financial statements but agrees in all material respects.

(3) Indirect Cost Rate

The District did not elect to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

(4) Noncash Assistance

Included in the schedule of expenditures of federal awards is (Assistance Listing No. 10.555) $14,949,075 of donated food commodities received from the U.S. Department of Agriculture, passed-through California Department of Education, during the year ended June 30, 2021.

(5) Federal Emergency Management Agency (FEMA)

The total FEMA approved eligible expenditures reported in the Schedule of Expenditures of Federal Award for Assistance Listing Nos. 97.039 and 97.047 included costs incurred in prior years. The details are as follows:

Fiscal Year	Assistance Listing 97.039	Assistance Listing 97.047	Total
2015-16	$ —	$ 2,773	$ 2,773
2016-17	251,592	—	251,592
2017-18	324,513	18,398	342,911
2018-19	2,475,003	901,095	3,376,098
2019-20	1,189,311	840,586	2,029,897
2020-21	1,090,857	2,313,638	3,404,495
Total	$ 5,331,276	$ 4,076,490	$ 9,407,766

OTHER INDEPENDENT AUDITOR REPORTS

SIMPSON & SIMPSON
CERTIFIED PUBLIC ACCOUNTANTS

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

To The Honorable Board of Education
Los Angeles Unified School District

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the **Los Angeles Unified School District** (the District), as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated January 13, 2022.

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) as a basis for designing 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 have not been identified. We did identify a deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item FS-2021-001 that we consider to be a material weakness.

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 financial statements. 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 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 the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Simpson & Simpson

Los Angeles, California
January 13, 2022

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Independent Auditor's Report on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance

To 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, 2021. 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 federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the District's compliance.

Opinion on Each Major Federal Program

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2021.

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-2021-001 to F-2021-007. Our opinion on each major federal program 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 responses.

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 preceding paragraph 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 have not been identified. However, as discussed below, we did identify 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 a 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-2021-001, F-2021-002, F-2021-005, F-2021-006, and F-2021-007 to be material weaknesses.

A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items F-2021-001, F-2021-003, and F-2021-004 to be significant deficiencies.

The District's responses 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 responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Simpson & Simpson

Los Angeles, California
January 13, 2022

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Independent Auditor's Report on State Compliance

To The Honorable Board of Education
Los Angeles Unified School District

Report on Compliance

We have audited the compliance of the **Los Angeles Unified School District** (the District), with the compliance requirements described in the *2020-21 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* (the Guide) for the year ended June 30, 2021. 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 *2020-21 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, prescribed in the California Code of Regulations (CCR), Title 5, section 19810. Those standards and the Guide require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above occurred. An audit also includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. However, our audit does not provide a legal determination of the District's compliance with those requirements.

In connection with the audit referred to above, we selected and tested transactions and records to determine the District's compliance with state laws and regulations applicable to the following programs:

	Procedures performed
Attendance and Distance Learning	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
K-3 Grade Span Adjustment	Yes
Apprenticeship: Related and Supplemental Instruction	Yes
Comprehensive School Safety Plan	Yes
District of Choice	Not applicable**
California Clean Energy Jobs Act	Yes
Proper Expenditures of Education Protection Account Funds	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Independent Study-Course Based for Charter Schools	Not applicable***
Attendance for Charter Schools	Yes
Mode of Instruction for Charter Schools	Yes
Nonclassroom-Based Instruction/Independent Study for Charter Schools	No****
Determination of Funding for Nonclassroom-Based Instruction for Charter Schools	No****
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 the fiscal year.
**	The District's Board of Education did not elect to operate as a school District of Choice.
***	The District does not have any Independent Study-Course Based Programs for Charter Schools; therefore, we did not perform any testing related to this requirement.
****	The District did not have any Average Daily Attendance generated from Nonclassroom-Based Instruction/Independent Study for Charter Schools during fiscal year 2020-21; 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, 2021.

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-2021-001 through S-2021-008. Our opinion is not modified with respect to these matters.

The District's response to the noncompliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Simpson & Simpson

Los Angeles, California
January 13, 2022

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?	Yes
• Significant deficiency(ies) identified that are not considered to be material weaknesses?	None noted
Noncompliance material to financial statements noted?	None noted

Federal Awards

Internal control over major programs:	
• Material weakness(es) identified?	Yes
• Significant deficiency(ies) identified that are not considered to be material weaknesses?	Yes

Identification of major programs and type of auditor's report issued on compliance for each major program:

Assistance Listing Number	Name of Federal Program	Opinion
	U.S. Department of Agriculture – Child Nutrition Cluster:	Unmodified
10.555	National School Lunch Program (NSLP)	
10.559	Summer Food Service Program for Children (SFSP)	
21.019	U.S. Department of Treasury – COVID-19 - Coronavirus Relief Fund	Unmodified
84.002	U.S. Department of Education - Adult Education – Basic Grants to States	Unmodified
84.010	U.S. Department of Education - Title I Grants to Local Educational Agencies (Title I, Part A of the ESEA)	Unmodified
84.048	U.S. Department of Education – Career and Technical Education – Basic Grants to States (Perkins V)	Unmodified

Assistance Listing Number	Name of Federal Program	Opinion
84.287	U.S. Department of Education – Twenty-First Century Community Learning Centers	Unmodified
84.367	U.S. Department of Education – Supporting Effective Instruction State Grants (Title II, Part A of the ESEA)	Unmodified
84.377	U.S. Department of Education – School Improvement Grants	Unmodified
84.425D	U.S. Department of Education – COVID-19 - Elementary and Secondary School Emergency Relief Fund	Unmodified
93.323	U.S. Department of Health and Human Services – Epidemiology and Laboratory Capacity for Infectious Diseases (ELC)	Unmodified
	U.S. Department of Health and Human Services – Child Care and 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	
97.039	U.S. Department of Homeland Security – Hazard Mitigation Grant Program (HMGP)	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:	$5,020,459
• Auditee qualified as low risk auditee	No

State Awards

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

****

Section II – Finding(s) Relating to the Basic Financial Statements which is Required to be Reported in Accordance with Government Auditing Standards

Finding – FS-2021-001 Schedule of Expenditures of Federal Awards Completeness (Material Weakness)

Criteria

2 CFR section 200.502, Basis for determining Federal awards expended:

> " (a) ***Determination Federal awards expended***. The determination of when a Federal award is expended must be based on when the activity related to the Federal award occurs. Generally, the activity pertains to events that require the non-Federal entity to comply with Federal statutes, regulations, and the terms and conditions of Federal awards, such as: expenditure/expense transactions associated with awards including grants, cost-reimbursement contracts under the FAR, compacts with Indian Tribes, cooperative agreements, and direct appropriations; the disbursement of funds to subrecipients;…."

2 CFR section 200.508, Auditee responsibilities:

> " (b) Prepare appropriate financial statements, including the schedule of expenditures of Federal awards in accordance with § 200.510."

2 CFR section 200.510, Financial statements:

> " (b) ***Schedule of expenditures of Federal awards*.** The auditee must also prepare a schedule of expenditures of Federal awards for the period covered by the auditee's financial statements which must include the total Federal awards expended as determined in accordance with § 200.502. While not required, the auditee may choose to provide information requested by Federal awarding agencies and pass-through entities to make the schedule easier to use. For example, when a Federal program has multiple Federal award years, the auditee may list the amount of Federal awards expended for each Federal award year separately."

The SEFA, while not part of the basic financial statements, is audited in relation to the basic financial statements, in accordance with the requirements of the Uniform Guidance. The Uniform Guidance requires auditors to determine major programs and perform risk assessments based on information reported on the SEFA.

Condition

During the process of reconciling the District's Federal expenditures/revenues to the general ledger by grant and by program, to validate the completeness and accuracy of the Schedule of Expenditure of Federal Awards (SEFA), it was noted that two (2) Federal programs (Assistance Listing Numbers 97.039 and 97.047) related to Federal Emergency Management Agency (FEMA) grants that were passed through the California Governor's Office of Emergency Services (Cal OES) were not included in the original SEFA. This lead to an updated SEFA being provided at the end of the audit fieldwork which subsequently lead to re-performing the major program determination, and the selection of one additional major program to be audited.

Cause and Effect

The controls within the Facilities Department were not properly designed to ensure that all Federal grants were communicated to the Accounting Department and the related expenditures were recorded in the accounting system in accordance with grant accounting requirements. Due to the Facilities Department's misconception of SEFA reporting, they failed to communicate to the Accounting Department the inclusion of certain Federal expenditures that resulted in the underreporting of expenditures in the SEFA.

Inaccurate reporting of Federal expenditures in the SEFA could result in inaccurate major program determinations, risk assessments, materiality determinations, identification of compliance requirements and reporting errors.

Questioned Costs

Not applicable.

Recommendation

We recommend that the District strengthen its controls within the Accounting Department over the preparation and review of the SEFA by ensuring that all Federal grants and awarded amounts are completely and accurately reported. Moreover, we recommend that each department complete a standard template that is formatted for the reporting of all Federal award expenditures and payments received, and to submit supporting documentation to the Accounting Department to reconcile expenditures and revenues which will ensure the completeness of the SEFA, prior to submission of the final SEFA.

View of Responsible Officials and Corrective Action Plan

This is an isolated case. Effective fiscal year 2021-22, Program Administrators Division shall provide Finance a copy of all executed grant awards from their end for review and proper recording. In addition, during year-end closing the grant master log will be provided to Program Administrators for validation.

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Section III – Findings and Questioned Costs Relating to Federal Awards

Program Identification

Finding Reference Number:	**F-2021-001**
Federal Program Title, Awarding Agency, Pass-Through Entity, Assistance Listing Number, and Award Number:	Child Nutrition Cluster, U.S. Department of Agriculture, Passed through the California Department of Education, Assistance Listing Nos. 10.555 and 10.559, PCA Nos. 13523, 13524, 13004, and 13006. (Significant Deficiency) Coronavirus Relief Fund, U.S. Department of Treasury, Passed through the California Department of Education, Assistance Listing No. 21.019, PCA No. 25516 (Material Weakness) Adult Education – Basic Grants to States, U.S. Department of Education, Passed through the California Department of Education, Assistance Listing No. 84.002, PCA 14508, 14109, and 13978; (Material Weakness) Title I Grants to Local Educational Agencies (Title I, Part A of the ESEA), U.S. Department of Education, Passed through the California Department of Education, Assistance Listing No. 84.010, PCA 14329, 14357, 14329, and 15438; (Material Weakness) Career and Technical Education – Basic Grants to States (Perkins V), U.S. Department of Education, Passed through the California Department of Education, Assistance Listing No. 84.048, PCA 14894 and 14893; (Material Weakness) Supporting Effective Instruction State Grants (Title II, Part A of the ESEA), U.S. Department of Education, Passed through the California Department of Education, Assistance Listing No. 84.367, PCA 14341; (Material Weakness) Elementary and Secondary School Emergency Relief Fund, U.S. Department of Education, Passed through the California Department of Education, Assistance Listing No. 84.425D, PCA No. 15536, 15547, and 15535 (Material Weakness)

Compliance Requirement:	Activities Allowed or Unallowed and Allowable Costs/Cost Principles
State Audit Guide Finding Code:	30000 and 50000

Criteria

2 CFR section 200.430(i), Standards for Documentation of Personnel Expenses, requires:

(1) "Charges to Federal awards for salaries and wages must be based on records that accurately reflect the work performed. These records must:

(i) Be supported by a system of internal control which provides reasonable assurance that the charges are accurate, allowable, and properly allocated;

(ii) Be incorporated into the official records of the non-Federal entity;

(iii) Reasonably reflect the total activity for which the employee is compensated by the non-Federal entity, not exceeding 100% of compensated activities;

(iv) Encompass both federally assisted and all other activities compensated by the non-Federal entity on an integrated basis, but may include the use of subsidiary records as defined in the non-Federal entity's written policy;

(v) Comply with the established accounting policies and practices of the non-Federal entity;

(vi) [Reserved]

(vii) Support the distribution of the employee's salary or wages among specific activities or cost objectives if the employee works on more than one Federal award; a Federal award and non-Federal award; an indirect cost activity and a direct cost activity; two or more indirect activities which are allocated using different allocation bases; or an unallowable activity and a direct or indirect cost activity."

In accordance with LAUSD Policy Bulletin 2643.10 entitled, "Documentation for Employees Paid from Federal and State Categorical Programs," the Periodic Certification (formerly referred to as Semi-Annual Certifications) must be completed each fiscal year for employees whose compensation is singularly sourced from Federal funds. The first Periodic Certification covers the period between July 1st through December 31st, and the second Periodic Certification covers the period between January 1st through June 30th. These certifications should be completed no later than January 31st and July 31st, respectively. Employees whose compensation is sourced by a combination of Federal or State funds that are not a Single Cost Objective are required to complete and sign the Multi-Funded Time Report at the end of each month.

Condition

As part of our compliance review over payroll expenditures, we selected samples of payroll expenditures charged to the program and reviewed the supporting documents to ascertain if they were allowable per program regulations, accurately charged to the program, and appropriately supported in accordance with 2 CFR section 200.430(i) and LAUSD Policy Bulletin 2643.10.

Child Nutrition Cluster: In our sample of sixty (60) payroll expenditures, we noted that one (1) employee provided a signed Periodic Certification; however, the certification was signed subsequent to our request.

Total exception amounted to $931 of the $73,200 sampled from $101,201,558 of the total payroll expenditures.

Coronavirus Relief Fund: In our sample of 165 payroll expenditures, we noted that five (5) employees provided timesheets, but the hours reported on the timesheets did not support the hours recorded in SAP, the District's accounting system.

Total exceptions amounted to $1,193 of the $213,809 sampled from $89,903,154 of the total payroll expenditures.

Adult Education – Basic Grants to States: In our sample of sixty (60) payroll expenditures, we noted that one (1) employee provided a signed Periodic Certification and two (2) employees provided signed Multi-Funded Time Reports; however, the certification and the Multi-Funded Time Reports were signed subsequent to our request.

Total exceptions amounted to $4,876 of the $250,415 sampled from $10,745,231 of the total payroll expenditures.

Title I Grants to Local Educational Agencies (Title I, Part A of the ESEA): In our sample of sixty (60) payroll expenditures, we noted that one (1) employee provided a signed periodic certification; however, the certification was signed subsequent to our request. In addition, we noted that there was no supporting documentation available for one (1) other employee's Special Assignment hours.

Total exceptions amounted to $7,320 (untimely certification) and $2,221 (unsupported hours charged) of the $193,720 sampled from $217,378,737 of the total payroll expenditures.

Career and Technical Education – Basic Grants to States (Perkins V): In our sample of sixty (60) payroll expenditures, we noted that one (1) employee provided a signed periodic certification; however, the certification was signed subsequent to our request. In addition, we noted that three (3) employees provided timesheets, but the hours on the timesheets did not support the hours recorded on SAP.

Total exceptions amounted to $786 (untimely certification) and $461 (unsupported hours charged) of the $106,864 sampled from $1,495,993 of the total payroll expenditures.

Supporting Effective Instruction State Grants (Title II, Part A of the ESEA): In our sample of sixty (60) payroll expenditures, we noted that three (3) employees provided signed Multi-Funded Time Reports; however, the hours reported on the Multi-Funded Time Reports did not support the hours recorded in SAP. For two (2) of the three (3) employees, the hours reported on the Multi-Funded Time Reports were less than the hours recorded in SAP, leading to an overstatement of program expenditures. For one (1) of the three (3) employees, the hours reported on the Muti-Funded Reports were greater than the hours recorded in SAP, leading to an understatement of program expenditures.

Total exceptions for overstatement and understatement amounted to $899 and $368, respectively, of the $277,072 sampled from $15,231,916 of the total payroll expenditures.

Elementary and Secondary School Emergency Relief Fund: In our sample of 120 payroll expenditures, we noted that two (2) employees provided a signed Periodic Certification; however, the certifications were signed subsequent to our request. In addition, one (1) employee provided a timesheet, but the hours reported on the timesheet did not support the hours recorded in SAP. The hours reported on the timesheet were greater than the hours recorded in SAP, leading to an understatement of program expenditures.

Total exceptions amounted to $3,340 (untimely certifications) and $123 (unsupported hours charged) of the $173,284 sampled from $207,837,633 of the total payroll expenditures.

Our samples were statistically valid samples.

Cause and Effect

The untimely certifications appear to be incidents in which employees did not follow the District's policies and procedures. The discrepancies between time reports/timesheets and SAP data appear to be due to clerical errors and lack of sufficient review.

Coronavirus Relief Fund– This finding is a repeat finding and has been reported previously for June 30, 2020 (F-2020-001).

Elementary and Secondary School Emergency Relief Fund – This finding is a repeat finding and has been reported previously for June 30, 2020 (F-2020-001).

Questioned Costs

The total costs related to the conditions mentioned above amounted to the following:

Coronavirus Relief Fund (Assistance Listing No. 21.019): $1,193 due to unsupported hours charged.

Title I Grants to Local Educational Agencies (Title I, Part A of the ESEA) (Assistance Listing No. 84.010): $2,221 due to unsupported hours charged.

Career and Technical Education – Basic Grants to States (Perkins V) (Assistance Listing No. 84.048): $461 due to unsupported hours charged.

Supporting Effective Instruction State Grants (Title II, Part A of the ESEA) (Assistance Listing No. 84.367): $899 overstatement and $368 understatement due to unsupported hours charged.

Elementary and Secondary School Emergency Relief Fund (Assistance Listing No. 84.425D): $123 understatement due to unsupported hours charged.

There were no questioned costs due to untimely completed/signed Periodic Certifications or Multi-Funded Time Report because payroll costs incurred were allowable costs for the programs.

Recommendation

We recommend that the District continue to strengthen its internal controls over payroll expenditures and the related compliance requirements by providing ongoing training to appropriate personnel on the required procedures, and to include a review process for monitoring compliance with those procedures.

View of Responsible Officials and Corrective Action Plan

1) Central Office/program coordinators will
    a. communicate the impact of questioned cost resulting from current year's audit findings,
    b. perform sample testing on payroll documentations as a secondary control twice a year; and
    c. provide feedback and training to the schools based on the result of sample testing.

2) The District will enhance the Time and Effort reminders to Administrators, Payroll Time Reporters, and Payroll time approvers with a checklist of key payroll documentations for certifications purposes.

3) The District will continue to provide training on myPLN on Time and Effort bulletin to school administrators, timekeepers, and supervisors.

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Name: Karen Ryback
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Telephone: (213) 241-7023

Program Identification

Finding Reference Number:	**F-2021-002**
Assistance Listing Number:	93.323
Federal Program Title:	Epidemiology and Laboratory Capacity for Infectious Diseases (ELC) (Material Weakness)
Awarding Agency / Pass-Through Entity:	U.S. Department of Health and Human Services, Los Angeles County Office of Education
Award Number:	C-21248-20:23
Compliance Requirement:	Allowable Costs/Cost Principles
State Audit Guide Finding Code:	30000 and 50000

Criteria

2 CFR section 200.403, Factors affecting allowability of costs: "Except where otherwise authorized by statute, costs must meet the following general criteria in order to be allowable under Federal awards:

(a) Be necessary and reasonable for the performance of the Federal award and be allocable thereto under these principles.

(e) Be determined in accordance with generally accepted accounting principles (GAAP), except, for state and local governments and Indian tribes only, as otherwise provided for in this part."

2 CFR section 200.404 Reasonable costs: "A cost is reasonable if, in its nature and amount, it does not exceed that which would be incurred by a prudent person under the circumstances prevailing at the time the decision was made to incur the cost. The question of reasonableness is particularly important when the non-Federal entity is predominantly federally-funded. In determining reasonableness of a given cost, consideration must be given to:

(a) Whether the cost is of a type generally recognized as ordinary and necessary for the operation of the non-Federal entity or the proper and efficient performance of the Federal award.
(b) The restraints or requirements imposed by such factors as: sound business practices; arm's-length bargaining; Federal, state, local, tribal, and other laws and regulations; and terms and conditions of the Federal award.
(c) Market prices for comparable goods or services for the geographic area.
(d) Whether the individuals concerned acted with prudence in the circumstances considering their responsibilities to the non-Federal entity, its employees, where applicable its students or membership, the public at large, and the Federal Government.
(e) Whether the non-Federal entity significantly deviates from its established practices and policies regarding the incurrence of costs, which may unjustifiably increase the Federal award's cost."

2 CFR section 200.53 Improper payment:

(a) Improper payment means any payment that should not have been made or that was made in an incorrect amount (including overpayments and underpayments) under statutory, contractual, administrative, or other legally applicable requirements.

Condition

During our review of the expenditures charged to the Epidemiology and Laboratory Capacity for Infectious Diseases (ELC) (School Based COVID-19 Testing) Program, we identified the following issue related to contracted services:

According to an executed agreement entered on April 30, 2021, between the District and a Contractor, the Contractor is permitted to invoice the District the actual cost of equipment and materials directly related to program services, plus a “Material and Handling fee” (markup) of eleven percent (11%). However, it was noted that the Contractor applied the 11% markup to costs that were not related to equipment and materials for program services on the June 2021 invoice. The cost categories that were marked up by the Contractor included travel reimbursements, per diem, insurance, and subcontractor costs. The District has agreed that the markup on those cost categories were improper, and has subsequently adjusted the 11% markup on travel, per diem, and insurance in the FY2022 general ledger, except for the subcontractor’s markup.

Cause and Effect

The improper markup of costs was due to a lack of proper review procedures implemented over the Contractor’s executed agreement and invoices as both the executed agreement and the program were new to the District. The effect of these errors/ improper markup resulted in inaccurate claims/costs submitted for reimbursement to the grantor.

Questioned Costs

Federal amounts over reported to the grantor for reimbursement and removed from SEFA is $305,635. Of the total amount, $293,119 represents the additional 11% “Material and Handling fee” charged for travel reimbursements, per diem, insurance, and subcontractor costs. The remaining amount of $12,516 represents the indirect cost/administrative cost that was charged by the District to the grantor related to the $293,119 markup. We noted that the District has reduced the Fiscal Year 2022 program general ledger and reimbursement request to the grantor by this amount except for the subcontractor cost of $2,975 and the related indirect cost of $127 charged by the District.

Recommendation

We recommend that the District strengthen its review process over invoices to ensure that all costs charged by Contractors and vendors are in accordance with the terms stipulated in the executed agreements/contracts.

View of Responsible Officials and Corrective Action Plan

The District office overseeing COVID-19 response operations has already implemented new processes in its invoice review process to help ensure all charges by vendors are in accordance with each vendor's contract terms. The District has also notified all vendors of its expectation that all invoices are in accordance with the payment schedule set forth in each contract agreement. Vendors have been asked to format invoice summaries such that they reflect cost of travel, lodging and MI&E as separate line items.

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Program Identification

Finding Reference Number:	**F-2021-003**
Assistance Listing Number:	97.039
Federal Program Titles:	Hazard Mitigation Grant Program (HMGP) (Significant Deficiency)
Awarding Agency / Pass-Through Entity:	U.S. Department of Homeland Security, California Governor's Office of Emergency Services
Award Number:	Project Nos. PJ0004 and PJ0066
Compliance Requirement:	Period of Performance
State Audit Guide Finding Code:	30000 and 50000

Criteria

2 CFR section 200.403, Factors affecting allowability of costs:

> "(h) Cost must be incurred during the approved budget period. The Federal awarding agency is authorized, at its discretion, to waive prior written approvals to carry forward unobligated balances to subsequent budget periods pursuant to §200.308(e)(3)."

Condition

As part of our review over the reimbursable expenditures under the Hazard Mitigation Grant Program, we selected sixty (60) expenditure samples over four (4) projects and reviewed the underlying supporting documents to determine if the expenditures were allowable per program regulations, accurately charged to the program, and properly supported.

Based on our review, we noted the following:

- One (1) expenditure item included in the total reimbursable amounts for Eagle Rock High School Boys Gym, Project No. PJ0004, was related to activities between July 1, 2016 and July 31, 2016. However, the period of performance for this project began on July 29, 2016.

- One (1) expenditure item included in the total reimbursable amounts for King Middle School Auditorium, Project No. PJ0066, was related to activities between August 10, 2016 and January 27, 2017. However, the period of performance for this project began on December 23, 2016.

Cause and Effect

The condition was caused by the District using the “transaction date” field from SAP, the District’s accounting system, to identify program expenditures for reimbursements instead of determining the actual period in which the expenditures were incurred.

The effect is that cutoff issues may occur and program expenditures outside of the period of performance may be included as reportable and reimbursable expenditures.

Questioned Costs

We determined that, for Eagle Rock High School Boys Gym, Project No. PJ0004, there were no questioned costs as the total expenditure amounts tested for this project exceeded the total Federal share reimbursed to the District.

For King Middle School Auditorium, Project No. PJ0066, we were unable to determine whether the District had incurred allowable expenditures in excess of the total Federal share without reviewing additional expenditures charged to the project. The prorated amount of the expenditures that were incurred outside of the period of performance was $35,270.

Recommendation

We recommend that the District strengthen its controls over period of performance by implementing procedures to accurately identify program expenditures based on the actual period in which the expenditures were incurred. We also recommend that the District review all expenditures charged to King Middle School Auditorium, Project No. PJ0066 to determine whether the expenditures were incurred within the period of performance in excess of the total Federal share reimbursed.

View of Responsible Officials and Corrective Action Plan

The District will continue to strengthen its controls and will formally document this process by establishing a user manual for District employees which will clarify and reiterate the performance period for FEMA reimbursement request within the fiscal year of 2021-22.

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Program Identification

Finding Reference Number:	**F-2021-004**
Assistance Listing Number:	84.287
Federal Program Titles:	Twenty-First Century Community Learning Centers (Significant Deficiency)
Awarding Agency / Pass-Through Entity:	U.S. Department of Education, California Department of Education
Award Number:	PCA Nos. 14349, 14765, 14603 and 14535
Compliance Requirement:	Subrecipient Monitoring
State Audit Guide Finding Code:	30000 and 50000

Criteria

Under 2 CFR section 200.332, Requirements for Pass-through Entities, all pass-through entities must:

"(b) Evaluate each subrecipient's risk of noncompliance with Federal statutes, regulations, and the terms and conditions of the subaward for purposes of determining the appropriate subrecipient monitoring described in paragraphs (d) and (e) of this section, which may include consideration of such factors as:

> (1) The subrecipient's prior experience with the same or similar subawards;
> (2) The results of previous audits including whether or not the subrecipient receives a Single Audit in accordance with Subpart F of this part, and the extent to which the same or similar subaward has been audited as a major program;
> (3) Whether the subrecipient has new personnel or new or substantially changed systems; and
> (4) The extent and results of Federal awarding agency monitoring (e.g., if the subrecipient also receives Federal awards directly from a Federal awarding agency).

(f) Verify that every subrecipient is audited as required by Subpart F of this part when it is expected that the subrecipient's Federal awards expended during the respective fiscal year equaled or exceeded the threshold set forth in section 200.501."

Condition

Risk Assessment

During procedures performed over the subrecipient monitoring compliance requirements, we noted that the District did not conduct an assessment/evaluation over the risk of noncompliance of all subrecipients in fiscal year 2021. The District would normally assess the risk of noncompliance for each subrecipient in a process called "Agency Review Meeting." In lieu of the annual "Agency Review Meeting," the District conducted a "Mid-Year Review" in fiscal year 2021 which consisted of one-on-one meetings with the subrecipients. The District provided the "Mid-Year Review" meeting agenda and calendar for review.

However, upon our review of the information provided, we were unable to determine whether the District had conducted a risk analysis/assessment, as the meeting agenda did not include risk assessments as a meeting item, nor were meeting minutes or other supporting documents (e.g., completed risk assessment checklists, etc.) from the "Mid-Year Review" maintained or provided. In response, the District prepared a subrecipient monitoring checklist template/worksheet which would serve as a tool to assess/evaluate the risk of noncompliance for all subrecipients going forward. As a result, we were unable to determine if an assessment/evaluation of each subrecipient's risk of noncompliance was performed.

Single Audit Verification

During procedures performed over the requirements described in 2 CFR 200.332 (f), we noted that one subrecipient received more than $750,000 in Federal funds from the District during the fiscal year 2020, but the District did not obtain a Single Audit report for the same fiscal year-end, which was due during fiscal year 2021. Specifically, it was noted that the District maintained a tracking log of audited financial statements and/or Single Audit report submissions to document types of reports received from each subrecipient. This tracking log was cross-referenced to an invoicing spreadsheet, which tracked the amounts that were passed through to each subrecipient. In our review of the tracking log and the invoicing spreadsheet, we identified one (1) subrecipient that received more than $750,000 in Federal funds from the District during fiscal year 2020, but was not identified by the District as requiring a Single Audit. Per further inquiry, we noted that the subrecipient did not have a Single Audit conducted.

Cause and Effect

Risk Assessment

The condition appears to be caused by an oversight by the District.

The lack of a risk assessment could impact the level of subrecipient monitoring performed by the District.

Single Audit Verification

The condition appears to be caused by a lack of detailed knowledge regarding the subrecipient monitoring requirements by District personnel responsible for the verification of Single Audits of the subrecipients, stemming from employee turnover within the department.

Questioned Costs

Not applicable. This finding is considered a programmatic non-compliance issue as well as a deficiency in the internal control system to properly monitor subrecipients.

Recommendation

We recommend the District perform and document a risk of assessment/evaluation of noncompliance on all subrecipients by conducting the "Agency Review Meetings" at least annually. We also recommend that the District complete the Subrecipient Monitoring Checklist for all subrecipients to assess/evaluate the risk of noncompliance at least annually.

We also recommend the District continue to strengthen its controls over subrecipient monitoring by providing adequate training/monitoring to District personnel to ensure that all subrecipients, who receive Federal awards from the District and other entities in excess of $750,000 have a Single Audit conducted. If the subrecipient represents to the District that their total expenditures did not exceed the applicable threshold in Federal funding during the fiscal year, an exemption letter, signed by the subrecipient's CFO, should be obtained in lieu of a Single Audit report to officially notify the District that the subrecipient is exempt from the Single Audit requirements.

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

LAUSD - Beyond The Bell Branch agrees with "Audit Finding F-2021-004." Consequently, we will implement the following procedures to ensure we are performing and documenting a risk assessment/evaluation of non-compliance on all sub-recipients by conducting annual "Agency Performance Review Meetings" and strengthening our controls over sub-recipient monitoring by providing adequate training/monitoring to Beyond the Bell Branch personnel to ensure all sub-recipients who receive Federal awards from the District and other entities in excess of $750,000.00 have a Single Audit conducted and submitted to Beyond the Bell Branch. In addition, Beyond the Bell Branch will provide training to agencies to ensure compliance with the established policies.

1. Agency contractors will be required to attend an annual "Agency Performance Review Meeting" scheduled during the current school year. During the "Agency Performance Review Meeting," extensive time will be spent on discussing Beyond the Bell's documentation of agency's performance based on established goals and expectations. Agencies will be provided assistance and guidance to ensure transparency of documentation collected resulting in a "low-risk" versus "high-risk" status for agencies. Beyond the Bell Administration will monitor agency status and act accordingly to ensure District's solvency.
2. Beyond the Bell Branch will strengthen its controls over sub-recipient monitoring by providing adequate training/monitoring to Beyond the Bell personnel to ensure that all sub-recipients, who receive Federal awards from the District and other entities in excess of $750,000 have a Single Audit conducted.
3. Beyond the Bell Branch will establish policies and procedures to ensure sub-recipients are regularly monitored to demonstrate if the sub-recipient represents to Beyond the Bell Branch that their total expenditures did not exceed the applicable threshold in Federal funding during the fiscal year, an exemption letter, signed by the sub-recipient's CFO, will be obtained in lieu of a Single Audit report to officially notify Beyond the Bell Branch that the sub-recipient is exempt from the Single Audit requirements for that given year.
4. Agency contractors and Beyond the Bell personnel will be required to attend a training meeting scheduled prior to the beginning of the school year. During the meeting, personnel will be trained to ensure they have detailed knowledge regarding the sub-recipient monitoring requirements by District personnel responsible for the verification of Single Audits of the sub-recipients.

We will review and improve our "internal control systems" and monitor changes in protocol to ensure that the established 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.

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Program Identification

Finding Reference Number:	**F-2021-005**
Assistance Listing Number:	84.010
Federal Program Titles:	Title I Grants to Local Educational Agencies (Title I, Part A of the ESEA) (Material Weakness)
Awarding Agency / Pass-Through Entity:	U.S. Department of Education, California Department of Education
Award Number:	PCA No. 14329
Compliance Requirement:	Special Tests and Provisions – Annual Report Card, High School Graduation Rate
State Audit Guide Finding Code:	30000 and 50000

Criteria

Annual Report Card, High School Graduation Rate

An SEA and its LEAs must report graduation rate data for all public high schools at the school, LEA, and State levels using the 4-year adjusted cohort rate under 34 CFR section 200.19(b)(1)(i)-(iv). Additionally, SEAs and LEAs must include the 4-year adjusted cohort graduation rate (which may be combined with an extended-year adjusted cohort graduation rate or rates) in adequate yearly progress (AYP) determinations. Graduation rate data must be reported both in the aggregate and disaggregated by each subgroup described in 34 CFR section 200.13(b)(7)(ii) using a 4-year adjusted cohort graduation rate. Only students who earn a regular high school diploma may be counted as a graduate for purposes of calculating the 4-year adjusted cohort graduation rate. To remove a student from the cohort, a school or LEA must confirm, in writing, that the student transferred out, emigrated to another country, or is deceased. To confirm that a student transferred out, the school or LEA must have official written documentation that the student enrolled in another school or in an educational program that culminates in the award of a regular high school diploma. A student who is retained in grade, enrolls in a General Educational Development (GED) program, or leaves school for any other reason may not be counted as having transferred out for the purpose of calculating graduation rate and must remain in the adjusted cohort (Title I, Sections 1111(b)(2) and (h) of ESEA (20 USC 6311(b)(2) and (h)); 34 CFR section 200.19(b)).

Section 8.3 of the LAUSD Attendance Manual states School staff shall document students who withdraw from the school. School staff shall follow Appendix J-2: Elementary School Withdrawal Symbols and Appendix J-3: Secondary School Withdrawal Symbols when recording withdrawal data.

Section XI.B of LAUSD REF-6554.4 states the Parent Assurance Letter (PAL) is the official form used to document withdrawal, transfer, and other student movement and that the form must be signed and submitted by the parent/guardian for student withdrawals.

Condition

We sampled a total of sixty (60) out of 62,082 students with leave codes in the school year 2019-20 My Integrated Student Information System (MiSiS) data 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 five (5) schools provided documentation for five (5) students that did not support the leave code entered into MiSiS:

Leave Code per MISIS	Leave Code per Supporting Documentation
L3 (Student transfers to a California public school outside LAUSD)	**L5** (School Outside California)
L3 (Student transfers to a California public school outside LAUSD)	**L5** (School Outside California)
L3 (Student transfers to a California public school outside LAUSD)	**L2** (Other LAUSD School)
L3 (Student transfers to a California public school outside LAUSD)	**L2** (Other LAUSD School)
L3 (Student transfers to a California public school outside LAUSD)	**L4** (California Private School)

Our sample was a statistically valid sample.

Cause and Effect

The discrepancy in the leave code was caused by the school using the “L3” code (Student transfers to a California public school outside LAUSD) when they did not have enough information to substantiate that code.

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

This finding is a repeat finding and has been reported previously for June 30, 2019 (F-2019-002) and June 30, 2020 (F-2020-003).

Questioned Costs

Not applicable. This finding is considered a programmatic non-compliance issue as well as a deficiency in the internal control system to properly train and monitor the personnel who are assigned to maintain the accuracy of student records.

Recommendation

We recommend the District continue to strengthen its controls over enrollment/withdrawal status by providing adequate training/monitoring to ensure that student records on MiSiS are accurate and updated when new information is available and that necessary documents are maintained. We recommend that the training include the appropriate levels of written documentation required for different situations under both ESSA guidance and CDE guidance.

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

The policy has not changed but we continue to provide guidance:

1. Provide ongoing reminders every other month through Schoology communication platform regarding accurate enrollment and withdrawal codes.
2. Provide training to all PSA Administrators and Lead Counselors to review accurate enrollment and withdrawal codes in May 2022.

In addition, the following processes will be added to provide further guidance on the review on the Certify rule reporting:

3. Create a one-page resource tool for schools to review the Certify Rules exception reporting to support accurate enrollment and withdrawal codes in February 2022.
4. Create MYPLN training for school users on accurate enrollment and withdrawal codes in March 2022.
5. Pupil Services and Attendance will communicate with Local District Administrative Assistants and PSA Administrators regarding dissemination of information to school staff on tools available and the MYPLN training course on accurate enrollment and withdrawal codes. (focus on me providing) in March 2022.
6. Pupil Services and Attendance will communicate with Local District Administration on disseminating information to school-site designee with audit findings to participate in the MYPLN training on accurate enrollment and withdrawal codes during school year 2022-23.
7. Pupil Services will meet with the MiSiS team to review and discuss any potential enhancement/ trainings to support with this finding in February 2022.

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Program Identification

Finding Reference Number:	**F-2021-006**
Assistance Listing Number:	84.010
Federal Program Titles:	Title I Grants to Local Educational Agencies (Title I, Part A of the ESEA) (Material Weakness)
Awarding Agency / Pass-Through Entity:	U.S. Department of Education, California Department of Education
Award Number:	PCA No. 14329
Compliance Requirement:	Special Tests and Provisions – Assessment System Security – (SEAs/LEAs)
State Audit Guide Finding Code:	30000 and 50000

Criteria

Under Section 1111(b)(2)(B)(iii) of the Elementary and Secondary Education Act of 1965 (ESEA), "State Education Agencies (SEAs), 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."

Per Reference Guide REF-096500 – 2020-21 Initial English Language Proficiency Assessments for California (ELPAC) Requirements for Principals, Coordinators, and Support Staff: Section II. Principal and Site ELPAC Coordinator Requirements: it indicates that principals must sign the 2020-21 ELPAC Test Security Agreement and Affidavit before a Site ELPAC Coordinator user role is created in TOMS (Test Operations Management System) to manage the ELPAC testing program at the school.

Condition

During the procedures performed over the District's policies and procedures regarding assessment system security, we noted that six (6) schools administered the initial ELPAC assessment prior to the principals signing the 2020-21 ELPAC Security Agreement and Affidavit. Specifically, we sampled 45 out of 807 schools that administered the ELPAC to verify that the principals and coordinators followed the required procedures prior to administering the ELPAC assessment. Of the 45 sampled schools, we noted that six (6) schools created Site ELPAC Coordinator user roles and administered the initial ELPAC prior to the principals' signing of the 2020-21 ELPAC Security Agreement and Affidavit.

Our sample was a statistically valid sample.

Cause and Effect

The condition was caused by an oversight on the requirement of a principal to sign the ELPAC Security Agreement and Affidavit before a Site ELPAC Coordinator's user role is created in TOMS and ELPAC assessment is administered.

Questioned Costs

Not applicable. This finding is considered a programmatic non-compliance issue as well as a deficiency in the internal controls over monitoring the requirement for principals to sign the ELPAC Security Agreement and Affidavit.

Recommendation

We recommend that the District strengthen its monitoring process to ensure principals sign the ELPAC Security Agreement and Affidavit before a Site ELPAC Coordinator user role is created in TOMS and the ELPAC assessment is administered.

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

As California and the country continue to overcome challenges associated with the pandemic, it is expected that the CDE will continue to make changes to their normal protocols to accommodate circumstances as they arise. The Student Testing Branch will continue to adhere to CDE policies and will continue to implement changes as allowed and required by the CDE.

The Student Testing Branch strives to maintain test security and examine processes and procedures that ensure compliance to state requirements for each testing program. To that end, the Student Testing Branch will implement the following safeguards:

- Regular examination of the Daily files to identify newly assigned principals and/or newly assigned coordinators.
- Regular cross check of Affidavit and Agreement reports focusing on the newly created accounts.
- Regular internal meetings to evaluate findings and ongoing maintenance of the Daily Affidavit and Agreement file.

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Name: Edwin Guerra
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Name: La Juana Worship
Title: Specialist

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Program Identification

Finding Reference Number:	**F-2021-007**
Assistance Listing Number:	10.555 and 10.559
Federal Program Titles:	Child Nutrition Cluster: National School Lunch Program and Summer Food Service Program for Children (Material Weakness)
Awarding Agency / Pass-Through Entity:	U.S. Department of Agriculture, California Department of Education
Award Number:	PCA Nos. 13523, 13524, 13004, and 13006
Compliance Requirement:	Special Tests and Provisions
State Audit Guide Finding Code:	30000 and 50000

Criteria

Per 7 CFR 225.15 (c)(1), "Sponsors shall maintain accurate records justifying all meals claimed and documenting that all program funds were spent only on allowable Child Nutrition Program costs. Failure to maintain such records may be grounds for denial of reimbursement for meals served and/or administrative costs claimed during the period covered by the records in question. The sponsor's records shall be available at all times for inspection and audit by representatives of the Secretary, the Comptroller General of the United States, and the State agency for a period of three years following the date of submission of the final claim for reimbursement for the fiscal year."

Condition

During the procedures performed over meals claimed under the Summer Food Service Program (SFSP) during the fiscal year 2021, it was noted that monthly meal counts recorded in the District's Cafeteria Management System (CMS) were not fully supported by underlying documentation (e.g., meal count sheet). Specifically, we noted that the District operated 64 meal pickup sites while schools were closed until the schools reopened in April 2021. We sampled five (5) out of 64 schools in August 2020 and in January 2021 each, and sampled 25 schools out of 685 schools in April 2021. In total, 35 schools were sampled over three (3) months to verify that the monthly meal counts recorded in the CMS for Breakfast and Lunch were supported by meal count sheets used at the school sites. Based on our procedures, we noted the following:

1. Of the five (5) schools sampled in August 2020, we noted variances for four (4) schools between the CMS count and the meal count sheets for both Breakfast and Lunch. Breakfast and Lunch counts were both under claimed by 153 and 304, respectively.
2. Of the five (5) schools sampled in January 2021, we noted variances in four (4) schools between the CMS count and the meal count sheets for both Breakfast and Lunch. Breakfast counts were over / (under) claimed by 307 and (4), respectively. Lunch counts were over / (under) claimed by 307 and (4), respectively.

3. Of the 25 schools sampled in April 2021, we noted variances in twenty-one (21) schools between the CMS count and the meal count sheets for both Breakfast and Lunch. Breakfast counts were over / (under) claimed by 694 and (1,693), respectively. Lunch counts were over / (under) claimed by 1,318 and (1,496), respectively.

Our sample was a statistically valid sample.

Cause and Effect

The condition appears to be caused by human error while manually counting the paper meal count sheets, as well as potential confusion caused by multiple types of count sheets being used.

Inaccurate claims of meal counts could lead to questioned costs.

Questioned Costs

Overclaimed **-** $9,481; Underclaimed – $(12,281)
The following are the total over/(under) claimed per meal types:

	Meal Claimed		Amount Billed	
Meal Type	**Over**	**Under**	**Over**	**(Under)**
Breakfast	1,001	(1,850)	$ 2,465	$ (4,542)
Lunch	1,625	(1,804)	7,016	(7,739)
Total	2,626	(3,654)	$ 9,481	$ (12,281)

Recommendation

We recommend the District continue to strengthen its controls over the meal claim process to ensure that meals are accurately counted, inputted into CMS and claimed for reimbursement.

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

Food Services operated under emergency pandemic conditions between March 18, 2020, through April 26, 2021. During this time, the Summer Food Service Program (SFSP) and Child and Adult Care Programs (CACFP) were audited by CDE and we had minimal findings.

In August 2020, USDA had stated that student meals would be served under the NSLP and CACFP and not SFSP, and School Food Authorities should use procedures to serve meals per student eligibility. The District made hardware purchases to support this directive, and mid- way through the process, USDA changed its requirements and allowed SFA's to continue serving meals under SFSP. The change in the program created confusion and data had to be transferred from one program to another to process the claim. The transfer was done manually.

In April 2021, Los Angeles Unified transitioned to hybrid learning, with some students returning to school campuses. To ensure student and staff safety the transition was done in stages, starting with Elementary schools on April 12, and High schools on April 26. During hybrid learning, Food Services served food to the students on campus as well students learning virtually at different times. The meals served to students learning virtually were done as a Grab N Go operation and were recorded manually and then transferred into the Cafeteria Management System. The process of accounting for students on varying learning modes and manually uploading the information is the reason for the variances. Each time there was a change in the operation, the food service team had to create a new training module for the change in operation, which created confusion for employees leading to the errors.

Food Services will implement the following procedures to verify and ensure that accurate meal counts are entered and submitted for reimbursement:

1. Food Services Division will add steps to our current meal claiming procedures to ensure accuracy of claims.
   a. Food Service Manager will complete a weekly review of the prior week's daily meal count documents for errors.
   b. Food Service Manager will run a weekly Meal Counts Report generated from CMS.
   c. Food Service Manager will compare daily meal count documents to the five-day Meal Count Report for accuracy.
   d. Area Food Services Supervisors will do random meal counts checks to compare the numbers on the daily meal count sheet with the numbers entered in CMS.
2. Food Services will follow the newly implemented review steps as indicated in Corrective Action Response #1 and confirm the claim for accuracy prior to submission to CNIPS.
   a. Manager will compare daily meal count documents to the five-day Meal Counts Report from CMS. All errors must be corrected in CMS immediately. This will take place prior to the CNIPS claim submission.

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Section IV – Findings and Questioned Costs Relating to State Awards

S-2021-001 – Regular and Special Day Classes – Attendance and Distance Learning

State Program: Attendance Accounting: Attendance Reporting

State Audit Guide Finding Codes: 10000 and 40000

Schools Affected

- 122nd Street Elementary School
- 122nd Street Elementary DL Two-Way IM Spanish School
- 20th Street Elementary School
- Albert Einstein Continuation High School
- Alfonso B Perez Special Education Center
- Alta California Elementary School
- Arleta Senior High School
- Apperson Street Elementary School
- Bellingham Elementary School
- Boys Academic Leadership Academy
- Cahuenga Elementary School
- Capistrano Avenue Elementary School
- Charles H Kim Elementary DL One-Way IM Korean School
- Charles Maclay Middle School
- Christopher Columbus Middle School
- Christopher Columbus MS Medical/Math/Science Magnet
- Coldwater Canyon Elementary School
- Crenshaw Magnets: Science Tech Engineer Math & Medicine
- Darby Avenue Elementary School
- Early College Academy - LA Trade Tech College
- Ernest Lawrence Middle School
- Erwin Elementary School
- Felicitas And Gonzalo Mendez Senior High School
- Ford Boulevard Elementary DL Two-Way IM Spanish School
- Francisco Sepulveda Middle School
- Frank Del Olmo Elementary School
- Gault Street Elementary School
- George K Porter Middle School
- Gil Garcetti Learning Academy
- Granada Elementary School
- Gulf Avenue Elementary School
- Harvard Elementary School
- Hillery T Broadous Elementary School
- Independence Elementary School
- Jack London Continuation High School
- John B Monlux Elementary School

Schools Affected (continued)

- John B Monlux Elementary Science/Tech/Math Magnet
- John F Kennedy Senior High School
- John H Francis Polytechnic Senior High School
- John Hope Continuation High School
- La Salle Avenue Elementary School
- Lake Street Primary School
- Liggett Street Elementary School
- Logan Academy of Global Ecology
- Logan Street Elementary DL Two-Way IM Spanish School
- Magnolia Avenue Elementary School
- Mayberry Street Elementary Communication Arts Magnet
- Michelle Obama Elementary School
- Micheltorena Street DL Two-Way IM Spanish School
- Micheltorena Street Elementary School
- Norwood Street Elementary School
- Olympic Primary Center
- Pacific Boulevard School
- Porter Ranch Community School
- Porter Ranch School DL Two-Way IM Korean School
- Purche Avenue Elementary School
- Purche Avenue Elementary STEAM Magnet
- Richard E Byrd Middle School
- Russell Elementary School
- San Pedro Street Elementary School
- Saturn Street Elementary School
- Saturn Street Elementary Arts/Media Magnet
- Shirley Avenue Elementary School
- Toluca Lake Elementary School
- Tulsa Street Elementary School
- Ulysses S Grant Senior High School
- Valley Oaks Center for Enriched Studies (VOCES) Magnet
- Van Nuys Senior High School
- Vena Avenue Elementary School
- Vista Middle School
- Washington Irving Middle School Math Music Engineering Mag
- Westport Heights Elementary School
- Whitney Young Continuation High School

Criteria

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

California Education Code, Section 43504(d) – (1) Each local educational agency shall document daily participation for each pupil on each schoolday, in whole or in part, for which distance learning is provided. A pupil who does not participate in distance learning on a schoolday shall be documented as absent for that schoolday.

(2) For purposes of this section, daily participation may include, but is not limited to, evidence of participation in online activities, completion of regular assignments, completion of assessments, and contacts between employees of the local educational agency and pupils or parents or guardians.

California Education Code, Section 43504(e) – Each local educational agency shall ensure that a weekly engagement record is completed for each pupil documenting synchronous or asynchronous instruction for each whole or partial day of distance learning, verifying daily participation, and tracking assignments.

California Education Code, Section 43504(i)(2) – (A) For a school district or charter school that does not meet the requirements in subdivision (d), (e), or (f), the Superintendent shall withhold from the school district's or charter school's local control funding formula grant apportionment an amount equal to the total days out of compliance divided by the number of instructional days required to be offered, multiplied by the derived value of average daily attendance.

Attendance

Condition, Cause and Effect

For our sample of seventy-five (75) schools, we obtained the Student Monthly Attendance Summary Reports (SMASRs) for school month seven (7). SMASRs are system-generated reports from the District's My Integrated Student Information System (MiSiS), a system utilized by the teachers to electronically input, submit and certify student attendance daily.

We selected a sample of absences from notes, phone logs and other absence records and compared them to the SMASRs to verify that they were properly recorded as absent. 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 58,242 days of attendance and 6,570 days of absences for testing and noted the following findings:

- **122nd Street Elementary School -** Out of the 480 days of attendance and 40 days of absences sampled, we noted the following exception:
  - One (1) student was absent for a total of one (1) day, as evidenced by an absence note but was recorded as present in the SMASR.

- **122nd Street Elementary School DL Two-Way IM Spanish -** Out of the 342 days of attendance and 18 days of absences sampled, we noted the following exceptions:
  - Two (2) students were absent for a total of two (2) days, as evidenced by an absence note but were recorded as present in the SMASR.

- **Alta California Elementary School -** Out of the 491 days of attendance and 29 days of absences sampled, we noted the following exception:
  - One (1) student was absent for a total of one (1) day, as evidenced by an absence note but was recorded as present in the SMASR.

- **Arleta Senior High School -** Out of the 1,065 days of attendance and 135 days of absences sampled, we noted the following exception:
  - One (1) student was absent for a total of one (1) day, as evidenced by an absence note but was recorded as present in the SMASR.

- **Christopher Columbus Medical/Math/Science Magnet Middle School -** Out of the 1,003 days of attendance and 197 days of absences sampled, we noted the following exception:
  - One (1) student was absent for a total of one (1) day, as evidenced by an absence note but was recorded as present in the SMASR.

- **Coldwater Canyon Elementary School -** Out of the 547 days of attendance and 13 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 SMASR.

- **Early College Academy – LA Trade Tech College -** Out of the 1,101 days of attendance and 120 days of absences sampled, we noted the following exception:
  - One (1) student was absent for a total of one (1) day, as evidenced by an absence note but was recorded as present in the SMASR.

- **Ernest Lawrence Middle School -** Out of the 195 days of attendance and 20 days of absences sampled, we noted the following exceptions:
  - Two (2) students were absent for a total of two (2) days, as evidenced by an absence note but were recorded as present in the SMASR.

- **Erwin Elementary School -** Out of the 636 days of attendance and 24 days of absences sampled, we noted the following exception:
  - One (1) student was absent for a total of one (1) day, as evidenced by an absence note but was recorded as present in the SMASR.

- **Gault Street Elementary School -** Out of the 527 days of attendance and 33 days of absences sampled, we noted the following exception:
  - One (1) student was absent for a total of one (1) day, as evidenced by an absence note but was recorded as present in the SMASR.

- **George K Porter Middle School -** Out of the 1,026 days of attendance and 103 days of absences sampled, we noted the following exceptions:
  - Two (2) students were absent for a total of two (2) days, as evidenced by an absence note but were recorded as present in the SMASR.

- **Jack London Continuation High School -** Out of the 442 days of attendance and 719 days of absences sampled, we noted the following exceptions:
  - Five (5) students were absent for a total of five (5) days, as evidenced by an absence note but were recorded as present in the SMASR.

- **John F Kennedy Senior School -** Out of the 789 days of attendance and 171 days of absences sampled, we noted the following exceptions:
  - One (1) student was absent for a total of three (3) days, as evidenced by an absence note but was recorded as present in the SMASR.

- **John Hope Continuation High School -** Out of the 865 days of attendance and 333 days of absences sampled, we noted the following exceptions:
  - Five (5) students were absent for a total of six (6) days, as evidenced by an absence note but were recorded as present in the SMASR.

- **Lake Street Primary School -** Out of the 487 days of attendance and 13 days of absences sampled, we noted the following exceptions:
  - One (1) student was absent for a total of three (3) days, as evidenced by an absence note but was recorded as present in the SMASR.

- **Logan Academy of Global Ecology -** Out of the 1,146 days of attendance and 54 days of absences sampled, we noted the following exceptions:
  - Seventeen (17) students were absent for a total of twenty-five (25) days, as evidenced by an absence note but were recorded as present in the SMASR.

- **Logan Street Elementary DL Two-Way IM Spanish -** Out of the 423 days of attendance and 14 days of absences sampled, we noted the following exception:
  - One (1) student was absent for a total of one (1) day, as evidenced by an absence note but was recorded as present in the SMASR.

- **Porter Ranch Community School -** Out of the 1,178 days of attendance and 22 days of absences sampled, we noted the following exceptions:
  - Two (2) students were absent for a total of two (2) days, as evidenced by an absence note but were recorded as present in the SMASR.

- **Saturn Street Elementary School -** Out of the 600 days of attendance and 20 days of absences sampled, we noted the following exception:
  - One (1) student was absent for a total of one (1) day, as evidenced by an absence note but was recorded as present in the SMASR.

- **Ulysses S Grant Senior High School -** Out of the 670 days of attendance and 123 days of absences sampled, we noted the following exceptions:
  - Two (2) students were absent for a total of five (5) days, as evidenced by an absence note but were recorded as present in the SMASR.

- **Van Nuys Senior High School -** Out of the 561 days of attendance and 159 days of absences sampled, we noted the following exceptions:
  - Two (2) students were absent for a total of two (2) days, as evidenced by an absence note but were recorded as present in the SMASR.

These findings are repeat findings, having been reported previously at June 30, 2020 (S-2020-001) but for different schools.

Questioned Costs

Not Applicable.

Distance Learning

Condition, Cause and Effect

For our sample of seventy-five (75) schools for distance learning, we obtained the Schoology Usage Reports for a sample of students for the week of March 8, 2021, of school month seven (7). The Reports were extracted from the District's Learning Management System, Schoology, a PowerSchool Unified Classroom Product, used for electronically inputting, submitting and tracking student daily activities. We identified students within our sample, for specific days, who did not have support evidencing participation in distance learning (weekly engagement records and daily participation documentation) to determine they were properly marked absent on the SMASRs. We selected a sample of 36,054 days of attendance and 2,320 days of absences for testing and noted the following findings:

- **122nd Street Elementary School DL Two-Way IM Spanish -** Out of the 222 days of attendance and 18 days of absences sampled, we noted the following exceptions:
  - Four (4) students were recorded present on the SMASR for a total of eight (8) days but did not have supporting documentation evidencing participation in distance learning.

- **20th Street Elementary School -** Out of the 317 days of attendance and 23 days of absences sampled, we noted the following exceptions:
  - Two (2) students were recorded present on the SMASR for a total of five (5) days but did not have supporting documentation evidencing participation in distance learning.

- **Albert Einstein Continuation High School -** Out of the 246 days of attendance and 249 days of absences sampled, we noted the following exceptions:
  - Five (5) students were recorded present on the SMASR for a total of five (5) days but did not have supporting documentation evidencing participation in distance learning.

- **Alfonso B Perez Special Education Center -** Out of the 473 days of attendance and 21 days of absences sampled, we noted the following exceptions:
    - Five (5) students were recorded present on the SMASR for a total of sixteen (16) days but did not have supporting documentation evidencing participation in distance learning.

- **Alta California Elementary School -** Out of the 474 days of attendance and 26 days of absences sampled, we noted the following exceptions:
    - Ten (10) students were recorded present on the SMASR for a total of thirty (30) days but did not have supporting documentation evidencing participation in distance learning.

- **Apperson Street Elementary School -** Out of the 498 days of attendance and 2 days of absences sampled, we noted the following exception:
    - One (1) student was recorded present on the SMASR for a total of one (1) day but did not have supporting documentation evidencing participation in distance learning.

- **Bellingham Elementary School** – Out of the 492 days of attendance and 8 days of absences sampled, we noted the following exceptions:
    - Five (5) students were recorded present on the SMASR for a total of ten (10) days but did not have supporting documentation evidencing participation in distance learning.

- **Boys Academic Leadership Academy -** Out of the 482 days of attendance and 16 days of absences sampled, we noted the following exception:
    - One (1) student was recorded present on the SMASR for a total of one (1) day but did not have supporting documentation evidencing participation in distance learning.

- **Cahuenga Elementary School -** Out of the 499 days of attendance and 1 day of absence sampled, we noted the following exceptions:
    - Four (4) students were recorded present on the SMASR for a total of seven (7) days but did not have supporting documentation evidencing participation in distance learning.

- **Capistrano Avenue Elementary School -** Out of the 490 days of attendance and 10 days of absences sampled, we noted the following exception:
    - One (1) student was recorded present on the SMASR for a total of one (1) day but did not have supporting documentation evidencing participation in distance learning.

- **Charles H Kim Elementary DL One-Way IM Korean School -** Out of the 159 days of attendance and 1 day of absence sampled, we noted the following exceptions:
    - One (1) student was recorded present on the SMASR for a total of two (2) days but did not have supporting documentation evidencing participation in distance learning.

- **Charles Maclay Middle School -** Out of the 464 days of attendance and 36 days of absences sampled, we noted the following exceptions:
    - Two (2) students were recorded present on the SMASR for a total of two (2) days but did not have supporting documentation evidencing participation in distance learning.

- **Christopher Columbus Middle School -** Out of the 229 days of attendance and 51 days of absences sampled, we noted the following exception:
    - One (1) student was recorded present on the SMASR for a total of one (1) day but did not have supporting documentation evidencing participation in distance learning.

- **Coldwater Canyon Elementary School -** Out of the 487 days of attendance and 13 days of absences sampled, we noted the following exceptions:
    - Three (3) students were recorded present on the SMASR for a total of seven (7) days but did not have supporting documentation evidencing participation in distance learning.

- **Crenshaw Magnets: Science Tech Engineer Math & Medicine -** Out of the 446 days of attendance and 49 days of absences sampled, we noted the following exceptions:
    - Three (3) students were recorded present on the SMASR for a total of three (3) days but did not have supporting documentation evidencing participation in distance learning.

- **Darby Avenue Elementary School -** Out of the 496 days of attendance and 4 days of absences sampled, we noted the following exceptions:
    - Three (3) students were recorded present on the SMASR for a total of three (3) days but did not have supporting documentation evidencing participation in distance learning.

- **Erwin Elementary School -** Out of the 484 days of attendance and 16 days of absences sampled, we noted the following exceptions:
    - Nine (9) students were recorded present on the SMASR for a total of thirteen (13) days but did not have supporting documentation evidencing participation in distance learning.

- **Felicitas And Gonzalo Mendez Senior High School -** Out of the 476 days of attendance and 24 days of absences sampled, we noted the following exceptions:
    - Sixteen (16) students were recorded present on the SMASR for a total of seventeen (17) days but did not have supporting documentation evidencing participation in distance learning.

- **Ford Boulevard Elementary DL Two-Way IM Spanish School -** Out of the 237 days of attendance and 3 days of absences sampled, we noted the following exception:
    - One (1) student was recorded present on the SMASR for a total of one (1) day but did not have supporting documentation evidencing participation in distance learning.

- **Francisco Sepulveda Middle School -** Out of the 458 days of attendance and 22 days of absences sampled, we noted the following exception:
    - One (1) student was recorded present on the SMASR for a total of one (1) day but did not have supporting documentation evidencing participation in distance learning.

- **Frank Del Olmo Elementary School -** Out of the 497 days of attendance and 3 days of absences sampled, we noted the following exceptions:
    - Four (4) students were recorded present on the SMASR for a total of seven (7) days but did not have supporting documentation evidencing participation in distance learning.

- **Gault Street Elementary School -** Out of the 473 days of attendance and 27 days of absences sampled, we noted the following exception:
  - One (1) student was recorded present on the SMASR for a total of one (1) day but did not have supporting documentation evidencing participation in distance learning.

- **George K Porter Middle School -** Out of the 438 days of attendance and 22 days of absences sampled, we noted the following exception:
  - One (1) student was recorded present on the SMASR for a total of one (1) day but did not have supporting documentation evidencing participation in distance learning.

- **Gil Garcetti Learning Academy -** Out of the 472 days of attendance and 28 days of absences sampled, we noted the following exceptions:
  - Three (3) students were recorded present on the SMASR for a total of four (4) days but did not have supporting documentation evidencing participation in distance learning.

- **Granada Elementary School -** Out of the 491 days of attendance and 9 days of absences sampled, we noted the following exceptions:
  - Ten (10) students were recorded present on the SMASR for a total of thirty-one (31) days but did not have supporting documentation evidencing participation in distance learning.

- **Gulf Avenue Elementary School -** Out of the 475 days of attendance and 25 days of absences sampled, we noted the following exceptions:
  - Four (4) students were recorded present on the SMASR for a total of six (6) days but did not have supporting documentation evidencing participation in distance learning.

- **Harvard Elementary School -** Out of the 478 days of attendance and 22 days of absences sampled, we noted the following exceptions:
  - Six (6) students were recorded present on the SMASR for a total of eight (8) days but did not have supporting documentation evidencing participation in distance learning.

- **Hillery T Broadous Elementary School -** Out of the 493 days of attendance and 7 days of absences sampled, we noted the following exceptions:
  - Four (4) students were recorded present on the SMASR for a total of twelve (12) days but did not have supporting documentation evidencing participation in distance learning.

- **Independence Elementary School -** Out of the 352 days of attendance and 8 days of absences sampled, we noted the following exception:
  - One (1) student was recorded present on the SMASR for a total of one (1) day but did not have supporting documentation evidencing participation in distance learning.

- **Jack London Continuation High School -** Out of the 238 days of attendance and 260 days of absences sampled, we noted the following exceptions:
  - Nine (9) students were recorded present on the SMASR for a total of twenty-seven (27) days but did not have supporting documentation evidencing participation in distance learning.

- **John B Monlux Elementary School -** Out of the 239 days of attendance and 21 days of absences sampled, we noted the following exceptions:
    - Five (5) students were recorded present on the SMASR for a total of eight (8) days but did not have supporting documentation evidencing participation in distance learning.

- **John B Monlux Elementary Science/Tech/Math Magnet -** Out of the 240 days of attendance and 0 day of absences sampled, we noted the following exceptions:
    - Two (2) students were recorded present on the SMASR for a total of three (3) days but did not have supporting documentation evidencing participation in distance learning.

- **John H Francis Polytechnic Senior High School -** Out of the 238 days of attendance and 9 days of absences sampled, we noted the following exceptions:
    - One (1) student was recorded present on the SMASR for a total of four (4) days but did not have supporting documentation evidencing participation in distance learning.

- **John Hope Continuation High School -** Out of the 405 days of attendance and 95 days of absences sampled, we noted the following exceptions:
    - Four (4) students were recorded present on the SMASR for a total of four (4) days but did not have supporting documentation evidencing participation in distance learning.

- **La Salle Avenue Elementary School -** Out of the 436 days of attendance and 64 days of absences sampled, we noted the following exceptions:
    - Seven (7) students were recorded present on the SMASR for a total of seventeen (17) days but did not have supporting documentation evidencing participation in distance learning.

- **Lake Street Primary School -** Out of the 487 days of attendance and 13 days of absences sampled, we noted the following exceptions:
    - Eight (8) students were recorded present on the SMASR for a total of fifteen (15) days but did not have supporting documentation evidencing participation in distance learning.

- **Liggett Street Elementary School -** Out of the 482 days of attendance and 18 days of absences sampled, we noted the following exceptions:
    - Five (5) students were recorded present on the SMASR for a total of ten (10) days but did not have supporting documentation evidencing participation in distance learning.

- **Logan Academy of Global Ecology -** Out of the 470 days of attendance and 30 days of absences sampled, we noted the following exception:
    - One (1) student was recorded present on the SMASR for a total of one (1) day but did not have supporting documentation evidencing participation in distance learning.

- **Logan Street Elementary DL Two-Way IM Spanish School -** Out of the 423 days of attendance and 14 days of absences sampled, we noted the following exception:
    - One (1) student was recorded present on the SMASR for a total of one (1) day but did not have supporting documentation evidencing participation in distance learning.

- **Magnolia Avenue Elementary School -** Out of the 487 days of attendance and 13 days of absences sampled, we noted the following exceptions:
    - Eighteen (18) students were recorded present on the SMASR for a total of fifty (50) days but did not have supporting documentation evidencing participation in distance learning.

- **Mayberry Street Elementary Communication Arts Magnet -** Out of the 233 days of attendance and 7 days of absences sampled, we noted the following exceptions:
    - Two (2) students were recorded present on the SMASR for a total of four (4) days but did not have supporting documentation evidencing participation in distance learning.

- **Michelle Obama Elementary School -** Out of the 485 days of attendance and 15 days of absences sampled, we noted the following exception:
    - One (1) student was recorded present on the SMASR for a total of one (1) day but did not have supporting documentation evidencing participation in distance learning.

- **Micheltorena Street DL Two-Way IM Spanish School -** Out of the 252 days of attendance and 8 days of absences sampled, we noted the following exceptions:
    - Two (2) students were recorded present on the SMASR for a total of five (5) days but did not have supporting documentation evidencing participation in distance learning.

- **Micheltorena Street Elementary School -** Out of the 234 days of attendance and 6 days of absences sampled, we noted the following exception:
    - One (1) student was recorded present on the SMASR for a total of one (1) day but did not have supporting documentation evidencing participation in distance learning.

- **Norwood Street Elementary School -** Out of the 478 days of attendance and 22 days of absences sampled, we noted the following exceptions:
    - Twelve (12) students were recorded present on the SMASR for a total of thirty-four (34) days but did not have supporting documentation evidencing participation in distance learning.

- **Olympic Primary Center -** Out of the 479 days of attendance and 21 days of absences sampled, we noted the following exceptions:
    - Nine (9) students were recorded present on the SMASR for a total of twenty-five (25) days but did not have supporting documentation evidencing participation in distance learning.

- **Pacific Boulevard School -** Out of the 486 days of attendance and 14 days of absences sampled, we noted the following exceptions:
    - Two (2) students were recorded present on the SMASR for a total of six (6) days but did not have supporting documentation evidencing participation in distance learning.

- **Porter Ranch School DL Two-Way IM Korean School -** Out of the 480 days of attendance and 0 day of absences sampled, we noted the following exception:
    - One (1) student was recorded present on the SMASR for a total of one (1) day but did not have supporting documentation evidencing participation in distance learning.

- **Purche Avenue Elementary School -** Out of the 252 days of attendance and 8 days of absences sampled, we noted the following exceptions:
    - Four (4) students were recorded present on the SMASR for a total of seven (7) days but did not have supporting documentation evidencing participation in distance learning.

- **Purche Avenue Elementary STEAM Magnet -** Out of the 237 days of attendance and 3 days of absences sampled, we noted the following exception:
    - One (1) student was recorded present on the SMASR for a total of one (1) day but did not have supporting documentation evidencing participation in distance learning.

- **Richard E Byrd Middle School -** Out of the 438 days of attendance and 42 days of absences sampled, we noted the following exceptions:
    - Five (5) students were recorded present on the SMASR for a total of eighteen (18) days but did not have supporting documentation evidencing participation in distance learning.

- **Russell Elementary School -** Out of the 443 days of attendance and 57 days of absences sampled, we noted the following exceptions:
    - Fourteen (14) students were recorded present on the SMASR for a total of twenty-five (25) days but did not have supporting documentation evidencing participation in distance learning.

- **San Pedro Street Elementary School -** Out of the 496 days of attendance and 4 days of absences sampled, we noted the following exceptions:
    - One (1) student was recorded present on the SMASR for a total of three (3) days but did not have supporting documentation evidencing participation in distance learning.

- **Saturn Street Elementary School -** Out of the 314 days of attendance and 6 days of absences sampled, we noted the following exceptions:
    - Three (3) students were recorded present on the SMASR for a total of six (6) days but did not have supporting documentation evidencing participation in distance learning.

- **Saturn Street Elementary Arts/Media Magnet -** Out of the 163 days of attendance and 17 days of absences sampled, we noted the following exception:
    - One (1) student was recorded present on the SMASR for a total of one (1) day but did not have supporting documentation evidencing participation in distance learning.

- **Shirley Avenue Elementary School -** Out of the 481 days of attendance and 19 days of absences sampled, we noted the following exceptions:
    - Thirteen (13) students were recorded present on the SMASR for a total of twenty-six (26) days but did not have supporting documentation evidencing participation in distance learning.

- **Toluca Lake Elementary School -** Out of the 498 days of attendance and 2 days of absences sampled, we noted the following exceptions:
    - Six (6) students were recorded present on the SMASR for a total of nine (9) days but did not have supporting documentation evidencing participation in distance learning.

- **Tulsa Street Elementary School -** Out of the 496 days of attendance and 4 days of absences sampled, we noted the following exceptions:
  - One (1) student was recorded present on the SMASR for a total of five (5) days but did not have supporting documentation evidencing participation in distance learning.

- **Ulysses S Grant Senior High School -** Out of the 210 days of attendance and 10 days of absences sampled, we noted the following exceptions:
  - One (1) student was recorded present on the SMASR for a total of four (4) days but did not have supporting documentation evidencing participation in distance learning.

- **Valley Oaks Center for Enriched Studies (VOCES) Magnet -** Out of the 459 days of attendance and 41 days of absences sampled, we noted the following exceptions:
  - Four (4) students were recorded present on the SMASR for a total of five (5) days but did not have supporting documentation evidencing participation in distance learning.

- **Van Nuys Senior High School -** Out of the 216 days of attendance and 24 days of absences sampled, we noted the following exceptions:
  - One (1) student was recorded present on the SMASR for a total of four (4) days but did not have supporting documentation evidencing participation in distance learning.

- **Vena Avenue Elementary School -** Out of the 493 days of attendance and 7 days of absences sampled, we noted the following exceptions:
  - Thirteen (13) students were recorded present on the SMASR for a total of thirty-nine (39) days but did not have supporting documentation evidencing participation in distance learning.

- **Vista Middle School -** Out of the 311 days of attendance and 29 days of absences sampled, we noted the following exception:
  - One (1) student was recorded present on the SMASR for a total of one (1) day but did not have supporting documentation evidencing participation in distance learning.

- **Washington Irving Middle School Math Music Engineering Mag -** Out of the 477 days of attendance and 23 days of absences sampled, we noted the following exceptions:
  - Three (3) students were recorded present on the SMASR for a total of eleven (11) days but did not have supporting documentation evidencing participation in distance learning.

- **Westport Heights Elementary School -** Out of the 481 days of attendance and 19 days of absences sampled, we noted the following exceptions:
  - Two (2) students were recorded present on the SMASR for a total of two (2) days but did not have supporting documentation evidencing participation in distance learning.

- **Whitney Young Continuation High School -** Out of the 386 days of attendance and 114 days of absences sampled, we noted the following exceptions:
  - Six (6) students were recorded present on the SMASR for a total of twelve (12) days but did not have supporting documentation evidencing participation in distance learning.

Questioned Costs

- Grades TK/K-3: 160 days/180 days = 0.89 ADA overstated * $11,234.67 = $9,999
- Grades 4-6: 316 days/180 days = 1.76 ADA overstated * $10,329.61 = $18,180
- Grades 7-8: 23 day/180 days = 0.13 ADA overstated * $10,636.14 = $1,383
- Grades 9-12: 102 days/180 days = 0.57 ADA overstated * $12,647.10 = $7,209

- 122nd Street Elementary DL Two-Way IM Spanish School
  - Grades TK/K-3: 8 days overstated
- 20th Street Elementary School
  - Grades 4-6: 5 days overstated
- Albert Einstein Continuation High School
  - Grades 9-12: 5 days overstated
- Alfonso B Perez Special Education Center
  - Grades 9-12: 16 days overstated
- Alta California Elementary School
  - Grades 4-6: 30 days overstated
- Apperson Street Elementary School
  - Grades TK/K-3: 1 day overstated
- Bellingham Elementary School
  - Grades 4-6: 10 days overstated
- Boys Academic Leadership Academy
  - Grades 9-12: 1 day overstated
- Cahuenga Elementary School
  - Grades TK/K-3: 7 days overstated
- Capistrano Avenue Elementary School
  - Grades TK/K-3: 1 day overstated
- Charles H Kim Elementary DL One-Way IM Korean School
  - Grades TK/K-3: 2 days overstated
- Charles Maclay Middle School
  - Grades 4-6: 2 days overstated
- Christopher Columbus Middle School
  - Grades 7-8: 1 day overstated
- Coldwater Canyon Elementary School
  - Grades 4-6: 7 days overstated
- Crenshaw Magnets: Science Tech Engineer Math & Medicine
  - Grades 9-12: 3 days overstated
- Darby Avenue Elementary School
  - Grades 4-6: 3 days overstated
- Erwin Elementary School
  - Grades 4-6: 13 days overstated
- Felicitas And Gonzalo Mendez Senior High School
  - Grades 9-12: 17 days overstated
- Ford Boulevard Elementary DL Two-Way IM Spanish School
  - Grades TK/K-3: 1 day overstated

Questioned Costs (continued)

- Francisco Sepulveda Middle School
  - Grades 4-6: 1 day overstated
- Frank Del Olmo Elementary School
  - Grades 4-6: 7 days overstated
- Gault Street Elementary School
  - Grades TK/K-3: 1 day overstated
- George K Porter Middle School
  - Grades 7-8: 1 day overstated
- Gil Garcetti Learning Academy
  - Grades 4-6: 4 days overstated
- Granada Elementary School
  - Grades 4-6: 31 days overstated
- Gulf Avenue Elementary School
  - Grades 4-6: 6 days overstated
- Harvard Elementary School
  - Grades 4-6: 8 days overstated
- Hillery T Broadous Elementary School
  - Grades 4-6: 12 days overstated
- Independence Elementary School
  - Grades 4-6: 1 day overstated
- Jack London Continuation High School
  - Grades 9-12: 27 days overstated
- John B Monlux Elementary School
  - Grades 4-6: 8 days overstated
- John B Monlux Elementary Science/Tech/Math Magnet
  - Grades 4-6: 3 days overstated
- John H Francis Polytechnic Senior High School
  - Grades 9-12: 4 days overstated
- John Hope Continuation High School
  - Grades 9-12: 4 days overstated
- La Salle Avenue Elementary School
  - Grades 4-6: 17 days overstated
- Lake Street Primary School
  - Grades TK/K-3: 15 days overstated
- Liggett Street Elementary School
  - Grades TK/K-3: 10 days overstated
- Logan Academy of Global Ecology
  - Grades 7-8: 1 day overstated
- Logan Street Elementary DL Two-Way IM Spanish School
  - Grades TK/K-3: 1 day overstated

Questioned Costs (continued)

- Magnolia Avenue Elementary School
  - Grades 4-6: 50 days overstated
- Mayberry Street Elementary Communication Arts Magnet
  - Grades 4-6: 4 days overstated
- Michelle Obama Elementary School
  - Grades 4-6: 1 day overstated
- Micheltorena Street DL Two-Way IM Spanish School
  - Grades TK/K-3: 5 days overstated
- Micheltorena Street Elementary School
  - Grades 4-6: 1 day overstated
- Norwood Street Elementary School
  - Grades 4-6: 34 days overstated
- Olympic Primary Center
  - Grades TK/K-3: 25 days overstated
- Pacific Boulevard School
  - Grades 4-6: 6 days overstated
- Porter Ranch School DL Two-Way IM Korean School
  - Grades TK/K-3: 1 day overstated
- Purche Avenue Elementary School
  - Grades 4-6: 7 days overstated
- Purche Avenue Elementary STEAM Magnet
  - Grades TK/K-3: 1 day overstated
- Richard E Byrd Middle School
  - Grades 4-6: 10 days overstated
  - Grades 7-8: 8 days overstated
- Russell Elementary School
  - Grades 4-6: 25 days overstated
- San Pedro Street Elementary School
  - Grades 4-6: 3 days overstated
- Saturn Street Elementary School
  - Grades TK/K-3: 6 days overstated
- Saturn Street Elementary Arts/Media Magnet
  - Grades TK/K-3: 1 day overstated
- Shirley Avenue Elementary School
  - Grades TK/K-3: 26 days overstated
- Toluca Lake Elementary School
  - Grades TK/K-3: 9 days overstated
- Tulsa Street Elementary School
  - Grades 4-6: 5 days overstated
- Ulysses S Grant Senior High School
  - Grades 9-12: 4 days overstated

Questioned Costs (continued)

- Valley Oaks Center for Enriched Studies (VOCES) Magnet
  - Grades 9-12: 5 days overstated
- Van Nuys Senior High School
  - Grades 9-12: 4 days overstated
- Vena Avenue Elementary School
  - Grades TK/K-3: 39 days overstated
- Vista Middle School
  - Grades 7-8: 1 day overstated
- Washington Irving Middle School Math Music Engineering Mag
  - Grades 7-8: 11 days overstated
- Westport Heights Elementary School
  - Grades 4-6: 2 days overstated
- Whitney Young Continuation High School
  - Grades 9-12: 12 days overstated

Recommendation

We recommend that the District and the schools continue to strengthen its controls over implementing attendance and distance learning policies over student attendance reporting by ensuring schools maintain adequate support for reported absences, accurately report student absences in the SMASR, and retain supporting documentation for instances in which students arrive to school late or leave early. Students participating in distance learning should be supported by a weekly engagement record and daily participation record.

Finally, we recommend the District continue to support the schools by providing adequate training over attendance and distance learning reporting so that proper procedures are adhered to.

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

1) The District will create a training on the LAUSD MyPLN platform on accurate attendance reporting practices for school users in March 2022 and provide the link as part of every other month reminders on the Schoology platform.

2) The District will continue to facilitate ongoing communication, provide updates, reminders, and training materials, every other month for school staff thru the LAUSD Schoology platform including:

   a. Reference to the MyPLN training (April 2022) .
   b. Instructions on how to generate the MiSiS Uncleared Absence report, this report assists in identifying students with uncleared absences.

c. Reference to the Opening Day Procedures Reference guide on Attendance Monitoring and Accuracy, which clearly states that "school should regularly generate the MiSiS Uncleared Absence report to identify students with uncleared absences and attempt to obtain verification for absences from parents/guardians". Essential Reports for Monitoring Attendance Taking and Accuracy (Attachment) in the policy, reminds schools to generate the uncleared absence report on a weekly/monthly basis.
d. Reference to the Essential Tips to Support Policy and Meet Compliance training which focuses on attendance and enrollment procedures to help reduce common errors reference to the Pupil Services website (https://achieve.lausd.net/attendanceandenrollment) with a section titled Essential Tips to Support Policy and Meet Compliance detailing tips and reminders on accurate attendance taking procedures and absence verification to comply with policy and meet compliance standards.
e. Reference to the sample absence recording form/template (one for elementary and one for secondary) that allows the school to indicate all pertinent information to the absence such as the time that student came/left (elementary) or period missed (secondary) and encourage the use of this form/template to avoid inconsistencies with recording partial day absence. This form can be attached to an absence note as a supplemental document to further clarify information as it refers to the time missed from school.

3) The District will continue to provide ongoing updates and support to Local District (LD) and PSA Lead Counselors on:

   a. Review attendance practice including absence recording and required documentation for verification of absence.
   b. Training tools (e.g., PowerPoint presentations) that reinforces the attendance policy and absence verification documentation required.

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S-2021-002 – Teacher Certification and Misassignments

State Audit Guide Finding Codes: 40000 and 71000

Schools Affected

- Lake Balboa College Preparatory Magnet K-12
- Logan Academy of Global Ecology
- Reseda Charter High School
- Valley Oaks Center for Enriched Studies Magnet

Criteria

California Education Code, Section 44203(d) **-** "Authorization" means the designation that appears on a credential, certificate, or permit that identifies the subjects and circumstances in which the holder of the credential, certificate, or permit may teach, or the services which the holder may render in the public schools of this state.

Section 44256 **-** Authorization for teaching credentials shall be of four basic kinds, as defined below:

(a) "Single subject instruction" means the practice of assignment of teachers and students to specified subject matter courses, as is commonly practiced in California high schools and most California junior high schools. The holder of a single subject teaching credential or a standard secondary credential or a special secondary teaching credential, as defined in this subdivision, who has completed 20 semester hours of coursework or 10 semester hours of upper division or graduate coursework approved by the commission at an accredited institution in any subject commonly taught in grades 7 to 12, inclusive, other than the subject for which he or she is already certificated to teach, shall be eligible to have this subject appear on the credential as an authorization to teach this subject. The commission, by regulation, may require that evidence of additional competence is a condition for instruction in particular subjects, including, but not limited to, world 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 pupils 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, world languages. The commission may establish and implement alternative requirements for additional authorizations to the multiple subject credential on the basis of specialized needs.

(c) "Specialist instruction" means any specialty requiring advanced preparation or special competence, including, but not limited to, reading specialist, mathematics specialist, specialist in special education, or early childhood education, and such other specialties as the commission may determine.
(d) "Designated subjects" means the practice of assignment of teachers and students to designated technical, trade, or career technical courses which courses may be part of a program of trade, technical, or career technical education.

California Code of Regulations, Title 5, Section 80005(b)

The holder of a teaching credential based on a baccalaureate degree and a teacher preparation program, including student teaching or the equivalent, may be assigned, with his or her consent, to teach subject-matter classes which do not fall within or are not directly related to the broad subject areas listed in (a) if the employing agency has determined the teacher has the requisite knowledge and skills. Verification of this decision must be kept on file in the office of the employing agency for purposes of the monitoring of certificated assignments pursuant to Education Code Section 44258.9(b). Such courses may include, but are not limited to, life skills, conflict management, study skills, leadership, teen skills, and study hall. Service in such assignments is limited to the grade level authorized by the teaching credential.

Condition, Cause and Effect

During our procedures performed for each class sampled for attendance testing of regular and special day classes, adult education, and continuation, we reviewed the classroom teacher’s credentials to determine if they possessed valid credentials, if their assigned teaching position was consistent with the authorization of their certification, and if the teachers held a valid English instruction certification in instances when the teacher taught a class in which more than 20% of the pupils were English learners.

We tested a total of 120 K-12 teachers and noted four (4) teachers who were assigned to teach in a position not consistent with the authorization of his/her certification, did not have written verification for teaching an elective or alternative setting:

- **Lake Balboa College Preparatory Magnet K-12** – one (1) teacher did not have written verification for teaching an elective on file, for a total of seven (7) subjects, due to the school site not submitting the appropriate form to the Human Resources Division.

- **Logan Academy School of Global Ecology** – one (1) teacher was assigned to teach in a position not consistent with the authorization of his/her certification due to the candidate not meeting renewal requirements for a Limited Assignment Permit in Spanish.

- **Reseda Charter High School –** one (1) teacher did not have written verification for teaching an elective on file, for one (1) subject, due to the school site not submitting the appropriate form to the Human Resources Division.

- **Valley Oaks Center for Enriched Studies Magnet** – one (1) teacher did not have written verification for teaching in an alternative setting on file, for one (1) subject, due to the school site not submitting the appropriate form to the Human Resources Division and the receiving unit not identifying the error in the submission in time to request the appropriate form.

These findings are repeat findings, having been reported previously at June 30, 2020 (S-2020-002) but for different schools and teachers.

Questioned Costs

Not Applicable

Recommendation

We recommend that the District continue to train schools on the MiSiS Assignment Monitoring Report. The District should continue to monitor and strengthen internal controls to ensure teachers are being assigned properly to teach in a position authorized by their certifications as well as having a consent form on file when necessary. We also recommend that the schools and the District remediate the misassignments identified above.

Views of Responsible Official, Planned Corrective Action, and Contact Information

Human Resources (HR) will continue to strive to ensure every student is taught by an appropriately authorized teacher by providing professional development to certificated staff overseeing the master schedule and training them on how the MiSiS Assignment Monitoring Report helps school sites take timely action to ensure they do not have misassignments. HR made their assignment monitoring training available via MyPLN to certificated staff in August 2021. HR will continue to send out reminders in the Spring of 2022 advising principals to submit their Ed Code options (ex. true elective, alternative setting, etc.) early for the 2021-22 academic year. HR will also continue their outreach effort to principals in the Summer of 2022, reminding them of the need to submit Ed Code options prior to the beginning of the academic year. The goal is for new principals to be made aware of this responsibility.

Upon receipt of service providers in the areas of Speech and Language Pathology, Orthopedic Impairment, Deaf and Hard of Hearing, and Visual Impairments, HR performed a credential check to ensure that service providers are appropriately authorized in November 2021.

HR will send reminder/training within the internal group on checking certificated staff to avoid human errors beginning in February 2022.

HR will follow up with sites on identified misassignments, missing elective forms, and missing alternative setting forms.

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S-2021-003 – Kindergarten Continuance

State Audit Guide Finding Codes: 40000

Schools Affected

- Castlebay Lane Charter 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 a total of 53 schools offering Kindergarten from the schools sampled for attendance reporting, we selected students enrolled in kindergarten for school year 2020-21 and kindergarten in school year 2019-20 and verified that a signed kindergarten continuance parental agreement (agreement) was maintained. We noted the following exception due to school oversight:

- **Castlebay Lane Charter School** – A signed agreement, approved in form and content by the CDE, was not on file before the start of the school year or before the student began their second year of kindergarten for one (1) student.

This finding is a repeat finding, having been reported previously at June 30, 2020 (S-2020-003) but for different schools.

Questioned Costs

Not Applicable.

Recommendation

We recommend that schools offering Kindergarten understand and adhere to the District's policy by retaining evidence of the signed and dated parental agreement for continuance forms, approved in form and content by the CDE, for all students repeating kindergarten, prior to the start of the school year to support the inclusion of such pupils in the average daily attendance computation. The District should continue to communicate and train all schools on the MiSiS Monitoring tool.

We also recommend that the District obtain written acknowledgement from the school identified above that they have been provided with the most updated District policy on Kindergarten Continuance and have implemented a system of tracking students who continue in Kindergarten. The District should also continue ensuring that schools are notified in circumstances where a pupil is transferred after attending Kindergarten with another school.

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

In the Spring of 2021, an enhancement was made to the MiSiS grade change screen to include a reminder to review REF-6756.1, Kindergarten Continuance (Including Kindergarten Retention): Parental Agreement for Pupil to Continue in Kindergarten for an Additional Year when schools change a student's grade for a kindergarten retention. This enhancement supplements the change made in 2019 to the MiSiS progress report screen which provides a reminder about the required signed continuance form, and a link to the Kindergarten Continuance policy bulletin. The grade change screen enhancement checks for eligibility for retention using the table included in REF-6756.1, Kindergarten Continuance (Including Kindergarten Retention): Parental Agreement for Pupil to Continue in Kindergarten for an Additional Year. It does not allow the grade changes to be processed if the student has previously completed ETK or TK.

The certify rule is active for all elementary school sites. It provides a message for the school enrollment designee to clear certify cases by verifying the completed signed continuance form is in the cumulative record and then entering the information in MiSiS.

The elementary retention Focus dashboard report can be used to monitor retentions at the kindergarten level. There is a section on this report in REF 6756.1, which provides recommendations for schools on how to use the form.

Information on the Focus dashboard report and the certify rule will be included in future trainings for school site personnel conducted by Student Health and Human Services. Additionally, messages about Kindergarten retention requirements, the focus dashboard retention monitoring report and the certify rule will be included in the weekly instructional news that provides guidance to local district administrators, principal supervisors and principals. Informational sessions will be scheduled for each local district's operations team members. Drop-in informational sessions will also be scheduled for Community of school Administrators and principals to attend at their option.

Administrator of Elementary Instruction has obtained a written acknowledgement from the school identified above that they have been provided with the most updated District policy on Kindergarten Continuance and have implemented a system of tracking students who continue in Kindergarten.

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S-2021-004 – Ratio of Administrative Employees to Teachers

State Audit Guide Finding Codes: 40000

Criteria

California Education Code, Section 41402 – The maximum ratios of administrative employees to each 100 teachers in the various types of school districts shall be as follows: *(b)* In unified school districts – 8.

Condition, Cause and Effect

We noted that based on the District's administrative employee-to-teacher ratio analysis that the number of administrative employees per hundred teachers is 9.51, which exceeds the allowable ratio set forth in Education Code section 41402, which for the District is 8.

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

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

These findings are repeat findings, having been reported previously on June 30, 2020 (S-2020-006).

Questioned Costs

Per Assembly Bill No. 75 (AB-75) School Finance: Education Omnibus Trailer Bill, a school district with average daily attendance of more than 400,000 as of the 2016-17 second principal apportionment, shall be exempt from any penalties calculated pursuant to Section 41404 of the Education Code for the 2019-20 fiscal year to 2021-22 fiscal year.

The District is granted this exception as their 2016-17 second principal apportionment average daily attendance was 448,888.25.

As such, the calculation of questioned costs is not applicable.

Recommendation

We recommend that the District strengthen controls over the adherence of the administrative employees to teacher's ratio requirement.

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

The District continuously monitors the Ratio of Administrative Employees to Teachers (R2) and are identifying strategies to reduce the ratio and become compliant.
The District is collaborating with School Services of California (SSC) to establish a standardized way of evaluating and classifying positions. District personnel are to receive training on the use of a job evaluation tracking tool to determine how to categorize positions as wholly or partly administrator, teacher, and/or pupil services.

District staff is also working on adding additional strategies to lower the R2 ratio as follows for us to become compliant for fiscal services 2022-23, including:

- Redesigning internal protocols and processes to ensure adherence to the R2 ratio.
- Developing a data analysis process to implement with District divisions, realigning protocols and procedures, and establishing a monitoring system to ensure we are making progress towards compliance.
- Establishing a communication campaign to inform all divisions and branches of the requirements associated with the R2 ratio.

The Office of Government Relations will continue to engage our legislative leadership and the Department of Finance to explore statutory changes in the R2 requirements.

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S-2021-005 – Classroom Teacher Salaries

State Audit Guide Finding Codes: 61000

Criteria

California Education Code, Section 41372 **-** (a) "Salaries of classroom teachers" and "teacher" shall have the same meanings as prescribed by Section 41011 provided, however, that the cost of all health and welfare benefits provided to the teachers by the school district shall be included within the meaning of salaries of classroom teachers.

(b) "Current expense of education" means the gross total expended (not reduced by estimated income or estimated federal and state apportionments) for the purposes classified in the final budget of a school district (except one which, during the preceding fiscal year, had less than 101 units of average daily attendance) submitted to and approved by the county superintendent of schools pursuant to Section 42127 for certificated salaries other than certificated salaries for pupil transportation, food services, and community services; classified salaries other than classified salaries for pupil transportation, food services, and community services; employee benefits other than employee benefits for pupil transportation personnel, food services personnel, and community services personnel; books, supplies, and equipment replacement other than for pupil transportation and food services; and community services, contracted services, and other operating expenses other than for pupil transportation, food services, and community services. "Current expense of education," for purposes of this section shall not include those expenditures classified as sites, buildings, books, and media and new equipment (object of expenditure 6000 of the California School Accounting Manual), the amount expended from categorical aid received from the federal or state government which funds were granted for expenditures in a program not incurring any teacher salary expenditures or requiring disbursement of the funds without regard to the requirements of this section, or expenditures for facility acquisition and construction; and shall not include the amount expended pursuant to any lease agreement for plant and equipment or the amount expended from funds received from the federal government pursuant to the "Economic Opportunity Act of 1964" or any extension of this act of Congress.

There shall be expended during each fiscal year for payment of salaries of classroom teachers:

(1) By an elementary school district, 60 percent of the district's current expense of education.
(2) By a high school district, 50 percent of the district's current expense of education.
(3) By a unified school district, 55 percent of the district's current expense of education.

Condition, Cause and Effect

We obtained the District's general ledger (ledger) of expenditures and reconciled the ledger to the District's Audited Financial Statements as of June 30, 2021, which accounts for all applicable audit adjustments.

We utilized the ledger to calculate the elements of the current expense formula, which amounted to $7,067,634,749.22.

We then utilized the ledger to calculate the elements of the minimum classroom compensation, which amounted to $3,726,663,243.95.

Based on the information derived above, we determined that the District's percent of current cost of education expended for classroom compensation to be 52.73%, which falls short of the 55.00% minimum percent required for unified school districts.

This leads to a deficiency percentage of 2.27% and a deficiency amount of $160,435,308.81.

These calculations are illustrated below:

Total teacher salaries and benefits	$ 3,726,663,243.95	*(a)*
Current expense	$ 7,067,634,749.22	*(b)*
Percentage spent by the District	52.73%	*(c) = (a) / (b)*
Minimum percentage required	55.00%	*(d)*
Percentage below the minimum	2.27%	*(e) = (d) - (c)*
Deficiency amount	$ 160,435,308.81	*(f) = (e) * (b)*

Questioned Costs

Deficiency amount - $160,435,308.81.

Recommendation

We recommend the District to put mechanisms in place to track their compliance with the minimum percentage required throughout the year to be in compliance with classroom teacher salary requirements.

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

LAUSD like any other school districts have been the beneficiaries of historic one-time funding from the federal government to mitigate learning loss brought about by the COVID-19 pandemic. It should be noted that it is of this funding intended to help schools reopen and ensure a safety and healthy environment causes a school district like LAUSD to be non-compliant. This is due to a significant amount of dollars spent on expenditures other than classroom salaries and benefits necessary to provide remote learning to students. Examples of these expenditures include purchases of devices, connectivity, instruction software licenses, and other necessary expenses to address learning loss and the safety of students in this unprecedented time.

LAUSD is very much aware of this Ed Code requirement and is engaged with the Los Angeles County Office of Education (LACOE) to seek a waiver request, which is allowed under Education Code Section 41372.

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S-2021-006 – School Accountability Report Card

State Program: School Accountability Report Card

State Audit Guide Finding Codes: 72000

Schools Affected

- Charles Maclay Middle School
- Crenshaw High School Magnet: Science Tech Engineer Math & Medicine (STEMM)
- Shirley Avenue Elementary
- Valley Oaks Center for Enriched Studies Magnet

Criteria

California Education Code, Sections 33126 (a), (b)(5)&(8)

(a) The school accountability report card shall provide data by which a parent can make meaningful comparisons between public schools that will enable him or her to make informed decisions on the school in which to enroll his or her children.

(b) The school accountability report card shall include, but is not limited to, assessment of the following school conditions:

> (5) The total number of the school's fully credentialed teachers, the number of teachers relying upon emergency credentials, the number of teachers working without credentials, any assignment of teachers outside their subject areas of competence, misassignments, including misassignments of teachers of English learners, and the number of vacant teacher positions for the most recent three-year period.
>
> (8) Safety, cleanliness, and adequacy of school facilities, including any needed maintenance to ensure good repair as specified in Section 17014, Section 17032.5, subdivision (a) of Section 17070.75, and subdivision (b) of Section 17089.

Condition, Cause and Effect

In our sample of 83 elementary and secondary schools, we obtained the District's copy of its most recently completed "Facility Inspection Tool (FIT), School Facility Conditions Evaluation", and compared the information contained in the FIT to the information on safety, cleanliness, and adequacy of school facilities contained in the 2020-2021 School Accountability Report Card (SARC) and noted the following inconsistencies:

- One (1) school's result related to the hazardous materials category within the FIT were reported as "Good", however, the school's SARC reported the identified categories as "Poor" due to distortion in the SARC reporting process as a result of a onetime system migration.
- Two (2) school's results related to the structural damage category within the FIT were reported as "Good", however, the school's SARC reported the identified categories as "Poor" due to distortion in the SARC reporting process as a result of a onetime system migration.

- One (1) school's result related to all categories within the FIT were reported as "Good", however, the school's SARC did not report any results under these categories due to distortion in the SARC reporting process as a result of a onetime system migration.

Questioned Costs

Not Applicable.

Recommendation

We recommend that information reported on the District's FIT be reported accurately in the District's SARC by conducting a review of the reported information in SARC to ensure its accuracy and consistency with source documents. Additionally, we recommend that the District maintain documentation supporting the reviews conducted and its results.

Views of Responsible Officials and Planned Corrective Actions

The Office of Data and Accountability considers the occurrence of the above discrepancy in reporting as an anomaly strictly due to the one time system migration of the ITD System B servers, which house the SARC reporting process. The unexpected deletion and subsequent restoration of the housed information had caused the distortion in the SARC reporting process. Consequently, once the discrepancy was discovered, we corrected our process to reflect accurate data.

Moving forward, ODA will review data regularly pre and post any future data migrations.

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S-2021-007 – Unduplicated Local Control Funding Formula Pupil Counts

State Program: Unduplicated Local Control Funding Formula Pupil Counts

State Audit Guide Finding Code: 40000

Schools Affected

- John F. Kennedy High School
- Logan Academy of Global Ecology
- George Ellery Hale Charter Academy (Dependent Charter)
- Taft Charter High School (Dependent Charter)

Criteria

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

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

Condition, Cause and Effect

On a sample basis, we tested the Free or Reduced Price Meal (FRPM) and English Learner (EL) eligibility of 1,935 students from 83 schools from the "1.18 – FRPM / English Learner / Foster Youth – Student List" reported in the CALPADS. We examined supporting documentation for the selected students and verified their respective eligibility.

Of the 1,935 students tested, 1,086 students were selected for verification of their Free and Reduced Price Meal (FRPM) eligibility as "181 - Free" or "182 - Reduced", 268 students were selected for verification of their English Learner "EL", and 581 students were selected for verification of either FRPM or EL eligibility in accordance with the audit guide.

Based on our testing, we noted that two (2) students from the District's schools, and two (2) students from the District's Dependent Charter Schools were reported as English Learner eligible but were unsupported. The cause of the error in determining the students' EL eligibility stems from the parent/guardian providing erroneous information at enrollment that resulted in a temporary misidentification of English Only in the District's student information system.

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

School	* Total Enrollment Applied	* UPC Applied	UPP	UPC adjusted based on eligibility of FRPM	UPC adjusted based on eligibility for EL funding	UPC adjusted based on eligibility for both FRPM and EL		Adjusted total UPC	Adjusted UPP
Los Angeles Unified School District	1,296,426	1,104,360	85.18%	-	(21)		**	1,104,339	85.18%
John F. Kennedy High School	7,018	5,144	73.30%	-	(1)	-		5,143	73.28%
Logan Academy of Global Ecology	1,142	1,078	94.40%	-	(1)	-		1,077	94.31%
George Ellery Hale Charter Academy (Dependent Charter)	6,318	2,424	38.37%	-	(10)	-	**	2,414	38.21%
				-					
George Ellery Hale Charter Academy (Dependent Charter)	6,318	2,424	38.37%	-	(1)	-		2,423	38.35%
				-					
Taft Charter High School (Dependent Charter)	7,065	4,306	60.95%	-	(19)	-	**	4,287	60.68%
				-					
Taft Charter High School (Dependent Charter)	7,065	4,306	60.95%	-	(1)	-		4,305	60.93%

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

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

These findings are repeat findings, having been reported previously at June 30, 2020 (S-2020-008) but for different schools.

Questioned Costs

We determined the total impact of the two (2) findings on the District, and two (2) findings on the Dependent Charter Schools by extrapolating the noted errors to the total UPC. We determined that the total extrapolated impact on the District's UPC is 21, and for the Dependent Charter Schools is 29, broken down as follows:

George Ellery Hale Charter Academy	10
Taft Charter High	19
Total	29

We decreased the District's UPC by the extrapolated impact of 21 students and calculated an Adjusted UPC of 85.18%.

We applied the Adjusted UPC to the District's LCFF State Aid, Adjusted for Minimum State Aid Guarantee for fiscal year 2020-21, and we computed total questioned costs to be $0.

We also decreased the Dependent Charter Schools' UPC by the extrapolated impact of 29 students and calculated an Adjusted UPC as follows:

George Ellery Hale Charter Academy	38.21%
Taft Charter High	60.68%

We applied the Adjusted UPC to the Dependent Charter Schools LCFF State Aid, Adjusted for Minimum State Aid Guarantee for fiscal year 2020-21, and we computed total questioned costs to be $45,698, broken down as follows:

George Ellery Hale Charter Academy	$ 5,245
Taft Charter High	40,453
Total	$ 45,698

Recommendation

We recommend that the District continue to monitor English learner eligibility status to ensure students who are designated as an English learner have proper supporting documentation. We also recommend that the District continue to train staff on enrollment procedures so that students' correct designations will be reflected in the student information system.

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

The Multilingual and Multicultural Education Department in collaboration with the Student Testing Branch and State Reporting Services will implement the following actions steps in addition to existing processes and controls:

1) In collaboration with Local District EL staff, provide Local District training in February 2022 to SSAs on enrollment procedures to ensure out-of-District student CUM records/documents are collected and reviewed on a timely basis.
2) Connect with the Charter Division to support identified charter schools with enrollment procedures and proper classification of students in February 2022.

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S-2021-008 – Attendance Accounting – Dependent Charters – Attendance and Distance Learning

State Program: Attendance Accounting: Attendance Reporting

State Audit Guide Finding Codes: 10000 and 40000

Schools Affected

- Castlebay Lane Charter
- Enadia Way Technology Charter
- Hamlin Charter Academy
- Nestle Avenue Charter
- Reseda Charter High School
- Reseda Charter High School Science Magnet
- William Howard Taft Charter High School

Criteria

California Education Code, Section 47612(b) – The average daily attendance in a charter school may not, in any event, be generated by a pupil who is not a California resident. To remain eligible for generating charter school apportionments, a pupil over 19 years of age shall be continuously enrolled in public school and make satisfactory progress towards award of a high school diploma. The state board shall, on or before January 1, 2000, adopt regulations defining "satisfactory progress."

California Education Code, Section 43504(d) – (1) Each local educational agency shall document daily participation for each pupil on each schoolday, in whole or in part, for which distance learning is provided. A pupil who does not participate in distance learning on a schoolday shall be documented as absent for that schoolday.

(2) For purposes of this section, daily participation may include, but is not limited to, evidence of participation in online activities, completion of regular assignments, completion of assessments, and contacts between employees of the local educational agency and pupils or parents or guardians.

California Education Code, Section 43504(e) – Each local educational agency shall ensure that a weekly engagement record is completed for each pupil documenting synchronous or asynchronous instruction for each whole or partial day of distance learning, verifying daily participation, and tracking assignments.

California Education Code, Section 43504(i)(2) – (A) For a school district or charter school that does not meet the requirements in subdivision (d), (e), or (f), the Superintendent shall withhold from the school district's or charter school's local control funding formula grant apportionment an amount equal to the total days out of compliance divided by the number of instructional days required to be offered, multiplied by the derived value of average daily attendance.

Attendance

Condition, Cause and Effect

For our sample of eight (8) schools, we obtained the Student Monthly Attendance Summary Reports (SMASRs) for school month seven (7). SMASRs are system-generated reports from the District's My Integrated Student Information System (MiSiS), a system utilized by the teachers to electronically input, submit and certify student attendance daily.

We selected a sample of absences from notes, phone logs and other absence records and compared them to the SMASRs to verify that they were recorded properly as absent. 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 13,894 days of attendance and 516 days of absences for testing and noted the following findings:

- **Enadia Way Technology Charter -** Out of the 520 days of attendance and 0 days of absences sampled, we noted the following exception:
  - One (1) student was absent for a total of one (1) day, as evidenced by an absence note but was marked as present in the SMASR.

- **William Howard Taft Charter High School -** Out of the 904 days of attendance and 188 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 SMASR.

These findings are repeat findings, having been reported previously at June 30, 2020 (S-2020-009) but for different schools.

Questioned Costs

Not Applicable.

Distance Learning

For our sample of eight (8) schools for distance learning, we obtained the Schoology Usage Reports for a sample of students for the week of March 8, 2021 of school month seven (7). The Reports were extracted from the District's Learning Management System, Schoology, a PowerSchool Unified Classroom Product, used for electronically inputting, submitting and tracking student daily activities.

We identified students within our sample, for specific days, who did not have support evidencing participation in distance learning (weekly engagement records and daily participation documentation) to determine they were properly marked absent on the SMASRs.

We selected a sample of 3,863 days of attendance and 131 days of absences for testing and noted the following findings:

- **Castlebay Lane Charter -** Out of the 499 days of attendance and 1 day of absences sampled, we noted the following exceptions:
  - One (1) student was recorded present on the SMASR for a total of three (3) days but did not have supporting documentation evidencing participation in distance learning.

- **Hamlin Charter Academy -** Out of the 480 days of attendance and 14 days of absences sampled, we noted the following exceptions:
  - Two (2) students were recorded present on the SMASR for a total of four (4) days but did not have supporting documentation evidencing participation in distance learning.

- **Nestle Avenue Charter -** Out of the 463 days of attendance and 37 days of absences sampled, we noted the following exceptions:
  - Three (3) students were recorded present on the SMASR for a total of three (3) days but did not have supporting documentation evidencing participation in distance learning.

- **Reseda Charter High School -** Out of the 410 days of attendance and 30 days of absences sampled, we noted the following exceptions:
  - One (1) student was recorded present on the SMASR for a total of two (2) days but did not have supporting documentation evidencing participation in distance learning.

- **Reseda Charter High School Science Magnet -** Out of the 19 days of attendance and 1 day of absences sampled, we noted the following exception:
  - One (1) student was recorded present on the SMASR for a total of one (1) day but did not have supporting documentation evidencing participation in distance learning.

- **William Howard Taft Charter High School -** Out of the 466 days of attendance and 14 days of absences sampled, we noted the following exception:
  - One (1) student was recorded present on the SMASR for a total of (1) day but did not have supporting documentation evidencing participation in distance learning.

Questioned Costs

- Grades 4-6: 3 days/175 days = 0.02 ADA overstated * $8,156.36 = $163

  - Castlebay Lane Charter
    - Grades 4-6: 3 days overstated

- Grades 4-6: 4 days/175 days = 0.02 ADA overstated * $9,051.76 = $181

  - Hamlin Charter Academy
    - Grades 4-6: 4 days overstated

- Grades 4-6: 3 days/175 days = 0.02 ADA overstated * $9,393.80 = $188

  - Nestle Avenue Charter
    - Grades 4-6: 3 days overstated

- Grades 9-12: 3 days/175 days = 0.02 ADA overstated * $12,590.82 = $252

  - Reseda Charter High School
    - Grades 9-12: 3 days overstated

- Grades 9-12: 1 day/175 days = 0.01 ADA overstated * $11,023.59 = $110

  - William Howard Taft Charter High School
    - Grades 9-12: 1 day overstated

Recommendation

We recommend that the District and the schools continue to strengthen its controls over implementing attendance and distance learning policies over student attendance reporting by ensuring schools maintain adequate support for reported absences, accurately report student absences in the SMASR, and retain supporting documentation for instances in which students arrive to school late or leave early. Students participating in distance learning should be supported by a weekly engagement record and daily participation record.

Finally, we recommend the District continue to support the schools by providing adequate training over attendance and distance learning reporting so that proper procedures are adhered to.

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

1) The District will create a training on the LAUSD MyPLN platform on accurate attendance reporting practices for school users in March 2022 and provide the link as part of every other month reminders on the Schoology platform.

2) The District will continue to facilitate ongoing communication, provide updates, reminders, and training materials, every other month for school staff thru the LAUSD Schoology platform including:

   a. Reference to the MyPLN training (April 2022).
   b. Instructions on how to generate the MiSiS Uncleared Absence report, this report assists in identifying students with uncleared absences.
   c. Reference to the Opening Day Procedures Reference guide on Attendance Monitoring and Accuracy, which clearly states that "school should regularly generate the MiSiS Uncleared Absence report to identify students with uncleared absences and attempt to obtain verification for absences from parents/guardians". Essential Reports for Monitoring Attendance Taking and Accuracy (Attachment) in the policy, reminds schools to generate the uncleared absence report on a weekly/monthly basis.
   d. Reference to the Essential Tips to Support Policy and Meet Compliance training which focuses on attendance and enrollment procedures to help reduce common errors reference to the Pupil Services website (https://achieve.lausd.net/attendanceandenrollment) with a section titled Essential Tips to Support Policy and Meet Compliance detailing tips and reminders on accurate attendance taking procedures and absence verification to comply with policy and meet compliance standards.
   e. Reference to the sample absence recording form/template (one for elementary and one for secondary) that allows the school to indicate all pertinent information to the absence such as the time that student came/left (elementary) or period missed (secondary) and encourage the use of this form/template to avoid inconsistencies with recording partial day absence. This form can be attached to an absence note as a supplemental document to further clarify information as it refers to the time missed from school.

3) The District will continue to provide ongoing updates to Local District (LD) and PSA Lead Counselors:

   a. Review attendance practice including absence recording and required documentation for verification of absence.
   b. Provide training tools (PowerPoint presentations) that reinforces the attendance policy and absence verification documentation required.

Name: Elsy Rosado
Title: Director, Pupil Services
Contact Information: (323) 202-2018

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

None.

Section VI - Findings and Questioned Costs Related to Federal Awards

1. Finding F-2020-001 – Activities Allowed or Unallowed/Allowable Costs and Cost Principles – Documentation for Payroll

Program Identification

COVID-19 - Coronavirus Relief Fund, U.S. Department of Treasury, Passed through the California Department of Education, Assistance Listing No. 21.019, PCA No. 25516.

COVID-19 - Elementary and Secondary School Emergency Relief Fund, Department of Education, Passed through the California Department of Education, Assistance Listing No. 84.425D, PCA No. 15536.

Recommendations

We recommend that the District strengthen internal controls over payroll expenditures related to the CRF and ESSER.

Current Status

Implemented. However, there is a repeat finding which has been reported in the current year (F-2021-001).

2. Finding F-2020-002 – Earmarking – Administrative Costs Limit

Program Identification

Adult Education – Basic Grants to States, U.S. Department of Education, passed through California Department of Education, Assistance Listing No. 84.002, PCA Nos. 13978, 14508, and 14109.

Recommendations

We recommend that the District update its classifications of payroll costs to record the three positions in question as administrative costs. Also, we recommend that all transfers of cost are reviewed carefully and charged to the appropriate SAP program code to ensure the 7.1% administrative limit is not exceeded.

Current Status

Implemented.

3. Finding F-2020-003 – Special Tests and Provisions – Annual Report Card, High School Graduation Rate

Program Identification

Title I Grants to Local Educational Agencies, U.S. Department of Education, passed through California Department of Education, Assistance Listing No. 84.010, PCA No. 14329.

Recommendations

We recommend the District continue to strengthen its controls over enrollment/withdrawal status by providing adequate training/monitoring to ensure that student records on MiSiS are accurate and that necessary "official written documents" are maintained. We recommend that the training include the appropriate levels of written documentation required to be maintained for different situations under both ESSA guidance and CDE guidance.

Current Status

Partially implemented. The District has implemented the corrective action plan as stipulated in their response to the prior year audit finding, with the exception of one (1) item. The District has not been able to conduct monthly meetings with Local District (LD) PSA Lead Counselors where best practices to support audit compliance are addressed as an agenda item due to the pandemic. This is a repeat finding which has been reported in the current year (F-2021-005).

Section VII – Findings and Questioned Costs Relating to State Awards

S-2020-001 – Regular and Special Day Classes – Attendance Computations

State Program: Attendance Accounting: Attendance Reporting

State Audit Guide Finding Codes: 10000 and 40000

Schools Affected

- 75th Street Elementary
- Annalee Avenue Elementary
- Aragon Avenue Elementary
- Audubon Middle School
- Augustus F Hawkins High School – Community Health Advocates School
- Barton Hill Elementary
- Benjamin Banneker Career and Transition Center
- Bret Harte Preparatory Middle School
- Bryson Avenue Elementary
- Carson Senior High
- Cesar Chavez Elementary
- Chapman Elementary
- Edward R Roybal Learning Center
- Frank Lanterman High School
- George Washington Preparatory Senior High
- Liberty Boulevard Elementary
- Loren Miller Elementary
- Luther Burbank Arts/Technology/Community Magnet Middle School
- Manual Arts Senior High College Preparatory Magnet
- Marianna Avenue Elementary
- Miles Avenue Elementary
- Rancho Dominguez Preparatory School
- Samuel Gompers University Pathways Medical Magnet Academy Middle School
- Sierra Park Elementary
- Tweedy Elementary
- Victoria Avenue Elementary

Recommendation

We recommend that the District and the schools continue to strengthen its controls over implementing attendance policies over student attendance reporting by ensuring schools maintain adequate support for reported absences, accurately report student absences in the SMASR, and retain supporting documentation for instances in which students arrive to school late or leave early. Additionally, we recommend the District strengthen its controls over properly retaining attendance supporting documentation at school sites. Finally, we recommend the District continue to support the schools by providing adequate training over attendance reporting so that proper attendance reporting procedures are adhered to, and that the District obtain written acknowledgement from the schools identified above that they have been successfully trained and have implemented a system in place to prevent such occurrences in the future.

Current Status

The District has partially implemented the Corrective Action Plan as stipulated in their response to the prior year audit finding. Due to COVID-19 school response and deployment, the training over attendance reporting has been pushed out to March 2022. This is a repeat finding which has been reported in the current year (S-2021-001) but for different schools.

S-2020-002 – Teacher Certification and Misassignments

State Audit Guide Finding Codes: 40000 and 71000

Schools Affected

- Cheremoya Avenue Elementary
- Eagle Rock High School
- Elizabeth Learning Center
- Elizabeth Learning Center Dual Language Two-Way Immersion Arabic
- Heliotrope Avenue Elementary
- Hilda L Solis Learning Academy
- Hollenbeck Middle School
- Hubert Howe Bancroft Middle School
- Huntington Park Senior High
- James Madison Middle School
- Laurel Elementary
- Legacy Science, Technology, Engineering, Arts and Mathematics High School
- Los Angeles Academy Middle School
- Maywood Center for Enriched Studies Magnet
- Rancho Dominguez Preparatory School
- South Gate Middle School
- Utah Street Elementary
- Victoria Avenue Elementary
- William Jefferson Clinton Middle School

Recommendation

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

Current Status

The District has implemented the Corrective Action Plan as stipulated in their response to the prior year audit finding. This is a repeat finding which has been reported in the current year (S-2021-002) but for different schools and teachers.

S-2020-003 – Kindergarten Continuance

State Audit Guide Finding Codes: 40000

Schools Affected

- Castle Heights Elementary School
- Elizabeth Learning Center
- Loren Miller Elementary School
- Maywood Elementary School
- Wisdom Elementary School

Recommendation

We recommend that the schools offering Kindergarten understand and adhere to the District's policy by retaining evidence of the signed and dated parental agreement for continuance forms, approved in form and content by the CDE, for all students repeating kindergarten, prior to the start of the school year to support the inclusion of such pupils in the average daily attendance computation. The District should communicate and train all schools on the MiSiS Monitoring tool. We also recommend that the District obtain written acknowledgement from the schools identified above that they have been provided with the most updated District policy on Kindergarten Continuance and have implemented a system of tracking students who continue in Kindergarten. The District should also have controls in place to ensure that schools are notified in circumstances where a pupil is transferred after attending Kindergarten with another school.

Current Status

The District has implemented the Corrective Action Plan as stipulated in their response to the prior year audit finding. This is a repeat finding which has been reported in the current year (S-2021-003) but for different schools.

S-2020-004 – Independent Study – Attendance Computations

State Program: Attendance Accounting: Attendance Reporting

State Audit Guide Finding Codes: 10000 and 40000

Schools Affected

- Mar Vista Elementary

Recommendation

We recommend that the District strengthen its review process over short-term independent study to ensure that attendance is correctly classified. We also recommend that the District provide proper training to ensure attendance is reported accurately and policies are adhered to.

Current Status

The District has implemented the Corrective Action Plan as stipulated in their response to the prior year audit finding.

S-2020-005 – Attendance Accounting – Continuation Education – Attendance Computations

State Audit Guide Finding Codes: 10000 and 4000

School Affected

- Highland Park Continuation High School
- Odyssey Continuation High School
- San Antonio Continuation High School

Recommendation

We recommend that the District strengthen its review process over student attendance reporting to ensure that the reports accurately reflect student attendance data. We also recommend that the District continue to provide adequate attendance reporting training to the schools so that proper attendance reporting procedures are adhered to, and that the District obtain written acknowledgement from the schools identified above that they have been successfully trained and have implemented a system in place to prevent such occurrences in the future.

Current Status

The District has implemented the Corrective Action Plan as stipulated in their response to the prior year audit finding.

S-2020-006 – Ratio of Administrative Employees to Teachers

State Audit Guide Finding Codes: 40000

Recommendation

We recommend that the District strengthen controls over the adherence of the administrative employees to teacher's ratio requirement.

Current Status

The District has implemented the Corrective Action Plan as stipulated in their response to the prior year audit finding. This is a repeat finding which has been reported in the current year (S-2021-004).

S-2020-007 – After School Education and Safety Program

State Program: After School Education and Safety Program

State Audit Guide Finding Codes: 40000

Schools Affected

- Bonita Street Elementary
- Calvert Charter for Enriched Studies
- Crestwood Street Elementary
- Fair Avenue Elementary
- John Muir Middle School
- Joseph Le Conte Middle School
- Leo Politi Elementary
- Morningside Elementary
- Patrick Henry Middle School
- Rancho Dominguez Preparatory
- Virgil Middle School
- Washington Irving Middle School

Recommendation

We recommend that the District strengthen its procedures on attendance documentation for the After School Education and Safety program. The District should ensure that the agencies performing the services for these programs are aware of the District's policies, specifically on maintaining accurate attendance records and retain supporting documentation for instances in which students arrive to the programs late or leave early.

Current Status

The District has implemented the Corrective Action Plan as stipulated in their response to the prior year audit finding.

S-2020-008 – Unduplicated Local Control Funding Formula Pupil Counts

State Program: Unduplicated Local Control Funding Formula Pupil Counts

State Audit Guide Finding Code: 40000

Schools Affected

- Allesandro Elementary
- Annalee Avenue Elementary
- Augustus F. Hawkins High B Community Health Advocates
- Baldwin Hills Elementary
- Belvedere Elementary
- Bryson Avenue Elementary
- Cesar Chavez Elementary
- Colfax Charter Elementary
- Community Magnet Charter Elementary
- Evergreen Avenue Elementary
- Franklin Avenue Elementary
- George Washington Preparatory High
- International Studies Learning Center at Legacy High School Complex
- James Madison Middle
- Lillian Street Elementary
- Madison Elementary
- Manual Arts Senior High
- Marquez Charter
- Miles Avenue Elementary
- Rancho Dominguez Preparatory
- Richland Avenue Elementary
- Riverside Drive Charter
- Robert Hill Lane Elementary
- Roscomare Road Elementary
- Sheridan Street Elementary
- South East High
- Stephen M. White Middle
- Thomas Jefferson Senior High

Recommendation

We recommend the District implement a more effective system of collecting eligibility data/records and perform an adequate review before uploading into CALPADS to ensure all records have been properly updated to reflect the students' most recent designation.

Current Status

The District has implemented the Corrective Action Plan as stipulated in their response to the prior year audit finding. This is a repeat finding which has been reported in the current year (S-2021-007) but for different schools.

S-2020-009 – Attendance Accounting – Dependent Charters – Attendance Computations

State Program: Attendance Accounting: Attendance Reporting

State Audit Guide Finding Codes: 10000 and 40000

Schools Affected

- Colfax Charter Elementary

Recommendation

We recommend that the District and the schools continue to strengthen its controls over implementing attendance policies over student attendance reporting by ensuring schools maintain adequate support for reported absences, accurately report student absences in the school's monthly attendance summary, and retain supporting documentation for instances in which students arrive to school late or leave early. The District should have a process in place to identify charter students who are over the age of nineteen and are not making satisfactory progress to graduate. Finally, we recommend the District continue to support the school by providing adequate training over attendance reporting so that proper attendance reporting procedures are adhered to, and that the District obtain written acknowledgement from the school identified above that they have been successfully trained and have implemented a system in place to prevent such occurrences in the future.

Current Status

The District has partially implemented the Corrective Action Plan as stipulated in their response to the prior year audit finding. Due to COVID-19 school response and deployment, the training over attendance reporting has been pushed out to March 2022. This is a repeat finding which has been reported in the current year (S-2021-008) but for different schools.

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

State Program: After School Education and Safety Program

State Audit Guide Finding Codes: 40000

Schools Affected

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

Recommendation

We recommend that the District strengthen its procedures on attendance documentation for the After School Education and Safety program. The District should ensure that the agencies performing the services for these programs are aware of the District's policies, specifically on maintaining accurate attendance records and retain supporting documentation for instances in which students arrive to the programs late or leave early.

Current Status

The District has implemented the Corrective Action Plan as stipulated in their response to the prior year audit finding.

S-2018-006 – After School Education and Safety Program

State Program: After School Education and Safety Program

State Audit Guide Finding Codes: 40000

Schools Affected

- Arroyo Seco Museum Science Magnet
- Burbank Middle School
- Burroughs Middle School
- Canterbury Elementary
- Clinton Middle School
- Curtiss Middle School
- Drew Middle School
- Granada Elementary
- Hope Elementary
- Kim Academy (Young Oak)
- Lawrence Middle School
- Lorena Elementary
- Los Angeles Academy Middle School
- Madison Middle School
- Malabar Elementary
- Miller Elementary
- Mountain View Elementary
- Reed Middle School
- Romer Middle School
- San Gabriel Elementary
- Sharp Elementary
- Stanford Elementary
- Stevenson Middle School
- Union Elementary
- Virginia Elementary
- White Elementary
- Wisdom Elementary

Recommendation

We recommend that the District strengthen its procedures on attendance documentation for the After School Education and Safety program. The District should ensure that the agencies performing the services for these programs are aware of the District's policies, specifically on maintaining accurate attendance records. We also recommend for the District to continue performing agency visits to ensure compliance with the established policies, and develop and maintain auditable supporting documentations that leave an audit trail for students who cannot have a timely participation in the program.

Current Status

The District has implemented the Corrective Action Plan as stipulated in their response to the prior year audit finding.

INDEPENDENT AUDITOR’S MANAGEMENT LETTER

SIMPSON & SIMPSON
CERTIFIED PUBLIC ACCOUNTANTS

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January 13, 2022

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, 2021, 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. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item F-2021-001 that we consider to be a material weakness.

Although not considered to be significant deficiencies or material weaknesses, we also noted certain items during our audit, which we would like to bring to your attention. These comments are summarized in the following report to management on page 218. Our observations and recommendations have been discussed with appropriate members of management and are intended to strengthen internal controls and operating efficiency.

We did not audit the District's response to the findings and comments identified in our audit, and accordingly, we express no opinion on it.

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-2021-001 - SAP Network Vulnerability

Condition

Scanning for and managing inventory, patch, and configuration issues are security practices designed to proactively identify and remediate technical vulnerabilities and weaknesses in information systems. Proactively managing and remediating vulnerabilities reduces, or eliminates, the potential of exploitation and involves considerably less time and effort than responding after exploitation has occurred. In addition, timely patching and fixing configuration issues are essential to maintaining the availability, confidentiality, and integrity of LAUSD information resources.

Our review of SAP network vulnerability scan reports for the period of February 26, 2021, through April 21, 2021, revealed 72 (seventy-two) "Critical" severity level SAP vulnerabilities that remained outstanding or not remediated throughout this three (3) month period.

NIST 800-40 Version 2 Creating a Patch and Vulnerability Management Program; Executive Summary:

- Timely patching of security issues is generally recognized as critical to maintaining the operational availability, confidentiality, and integrity of information technology (IT) systems.

- It is recommended that all organizations have a systematic, accountable, and documented process for managing exposure to vulnerabilities through the timely deployment of patches.

We were informed that the SAP vulnerability management tool, Onapsis, is newly procured and had not been fully implemented during the period under review. However, the lack of proactively managing and timely remediating vulnerabilities increases the risk of potential exploitation. In addition, timely addressing security patches and fixing configuration issues are essential to maintaining the availability, confidentiality, and integrity of mission critical financial reporting information systems.

Recommendation

We recommend that District management implement a Vulnerability Management program for SAP. The program should be enforced by documented policy and ensure vulnerabilities are identified and remediated in a timely manner. At a minimum, "Critical" and "High" severity level vulnerabilities should be remediated within 30 days of identification.

Current Year Management Letter Comments

Management Response

The ITD vulnerability management program is scheduled to be operational in July 2022. The program will include technology, processes, and people to discover, report, prioritize, and mitigate vulnerabilities in critical systems. A draft vulnerability management policy is scheduled to be completed by March 2022 for the Superintendent's review and approval.

As for the remediation times/date for the sighted vulnerabilities, this is a living list as scans are performed regularly and the teams prioritize and address the “critical” items first.

Responsible Official

Name: Douglas Le
Title/Division: Senior ERP Director Business Systems/ITD
Telephone: (213) 241-1586

ML-2021-002 – MISIS Network Vulnerability

Condition

Scanning for and managing inventory, patch, and configuration issues are security practices designed to proactively identify and remediate technical vulnerabilities and weaknesses in information systems. Proactively managing and remediating vulnerabilities reduces, or eliminates, the potential of exploitation and involves considerably less time and effort than responding after exploitation has occurred. In addition, timely patching and fixing configuration issues are essential to maintaining the availability, confidentiality, and integrity of LAUSD information resources.

Our review of MISIS network vulnerability scan reports for the period of January 2021 through March 2021 revealed Seven (7) Critical and fifteen (15) High Vulnerabilities remained outstanding or not remediated throughout this three (3) month period.

The lack of proactively managing and timely remediating vulnerabilities increases the risk of potential exploitation. In addition, timely addressing security patches and fixing configuration issues are essential to maintaining the availability, confidentiality, and integrity of mission critical financial reporting information systems.

NIST 800-40 Version 2 Creating a Patch and Vulnerability Management Program; Executive Summary:

- Timely patching of security issues is generally recognized as critical to maintaining the operational availability, confidentiality, and integrity of information technology (IT) systems.

- It is recommended that all organizations have a systematic, accountable, and documented process for managing exposure to vulnerabilities through the timely deployment of patches.

Current Year Management Letter Comments

Recommendation

We recommend that District management implement a Vulnerability Management program for MISIS. The program should be enforced by documented policy and ensure vulnerabilities are identified and remediated in a timely manner. At a minimum, “Critical” and “High” severity level vulnerabilities should be remediated within 30 days of identification.

Management Response

The ITD vulnerability management program is scheduled to be operational in July 2022. The program will include technology, processes, and people to discover, report, prioritize, and mitigate vulnerabilities in critical systems. A draft vulnerability management policy is scheduled to be completed by March 2022 for the Superintendent's review and approval.

As for the remediation times/date for the sighted vulnerabilities, this is a living list as scans are performed regularly and the teams prioritize and address the “critical” items first.

<u>Responsible Official</u>

Name: Douglas Le
Title/Division: Senior ERP Director Business Systems/ITD
Telephone: (213) 241-1586

Name: Robert Pelayo
Title/Division: MISIS Director/ITD
Telephone: (213) 241-1144

ML-2021-003 - Active Directory Network User Account

Condition

User administration procedures should ensure process owners approve granting or removal of access to systems and transactions in their area of responsibility. Access to systems, transactions and data should be in alignment with user job responsibilities. However, we noted eight (8) separated employees with active network user accounts that exceeded two months (60 days) after their physical separation. The circumstances for their terminations are as follows as recorded in their SAP HR (Human Resources) record:

- Five (5) for “Resignation”
- One (1) for “Retirement”
- One (1) for “Exhaustion of illness & vacation”
- One (1) for “Deceased”

Current Year Management Letter Comments

We noted that ITD's automated HR file interface process is functioning as intended to disable the SSO (Single-Sign-On) account of separated employees in a timely manner once the action is entered into SAP. However, the delay in disabling the aforementioned accounts is attributed to the employee's termination status not being entered into the SAP HR module in a timely manner by the end user or HR. We were informed that in some instances, the separation form(s) were delayed or not received by HR from the employee's manager/supervisor in a timely manner.

NIST 800-53: PS-4 PERSONNEL TERMINATION

The organization, upon termination of individual employment:

a. Disables information system access
b. Terminates/revokes any authenticators/credentials associated with the individual

Automated Notification: The organization employs automated mechanisms to notify specific organizational personnel or roles (e.g., management personnel, supervisors, personnel security officers, information security officers, systems administrators, or information technology administrators) upon termination of an individual.

Recommendation

We recommend that terminated (i.e., retired, resigned, withdrawn, etc.) employees' Active Directory user accounts be disabled or deleted in a timely manner upon their physical separation from the District. To support facilitating this process, the user's manager/supervisor should submit a request to HR to have the employee's system access suspended or disabled in a timely manner.

Current Year Management Letter Comments

Management Response

Human Resources (HR): HR will review, and revise websites related to resignations, retirements and leaves of absences. It will be recommended that all related paperwork be submitted in advance, when possible.

Personnel Commission (PC): PC will review, and revise websites related to resignations, retirements and leaves of absences. It will be recommended that all related paperwork be submitted in advance, when possible. During the training sessions with time reporters, PC staff will also reiterate the need to notify the assignment offices if employees who have not reported to work, continue to appear on the sites' time sheets. PC anticipates a 4 to 6 months timeline for the implementation of the above corrective action plans.

Information Technology Division (ITD): The process we have in place does disable SSO account of separated employees in a timely manner once the action in entered in SAP. In some cases, as seen in this audit sample population, the action was not entered in SAP timely.

<u>Responsible Official</u>

Human Resources:

Name: Leanne Hannah
Title/Division: Director, Certificated Human Resources
Telephone: (310) 625-0410

Personnel Commission:
Name: Donna Barrow
Title: Assistant Director, Classified Employee Services
Telephone: (213) 241-7830

Information Technology Division:
Name: Douglas Le
Title/Division: Senior ERP Director Business Systems/ITD
Telephone: (213) 241-1586

Status of Prior Year Management Letter Comments

ML-2020-001 - SAP Segregation of Duties for Timekeeping

Recommendation

We recommend that an authorized Segregation of Duties (SOD) Exception Request be retained and made accessible for all employees whose access has been determined to present a segregation of duties condition. The SOD Exception Request should cover the period for which the employee has the access.

Also, the transaction processing activity for individuals authorized to have SOD conflicting access should be logged and independently reviewed.

Current Status

Implemented.

ML-2020-002 - CMS Personnel Access

Recommendation

CMS production system access for terminated users should be removed or expired in a timely manner.

Current Status

Implemented.

ML-2020-003 - CMS Program Change Approvals

Recommendation

- CMS production system approvals should be obtained prior to implementation of a change request.
- CMS change request forms should be scanned and maintained electronically so that the forms can be made available at any time to support the authorization of prior change management activities.

Current Status

Implemented.

Status of Prior Year Management Letter Comments

ML-2019-003 - Business Continuity Planning
ML-2016-001 - Business Continuity /IT Disaster Recovery Planning
ML-2014-007 - Business Continuity /IT Disaster Recovery Planning

Recommendation

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

Current Status

Partially Implemented. As of March 1, 2021, 88 Branches/Offices across 16 Divisions have completed their Business Continuity Plans (BCP), this includes 18 ITD Divisions having a baselined BCP.

ITD has also set a June 2022 target timeframe to implement a Cloud Disaster Recovery Solution to provide a quick automated failover of system and application services to an external provider location to maintain operational needs during and/or after disasters and emergencies.

ML-2015-002 - Security Management Policy and Procedures

Recommendation

We recommend that ITD management coordinate with District business/operations management to complete an information security plan (e.g., update, adopt and implement the November 2013 plan) and compile a comprehensive set of information security policies and procedures.

Current Status

Partially Implemented. The following IT security policies have been drafted but not formally adopted as they are pending executive management approval:

a. Incident Response for Information Security Events (The Cybersecurity incident management policy) is in draft.
b. The Patch Management Policy (Vulnerability Management) was submitted to the Chief Information Officer on June 3, 2021, for approval.

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APPENDIX C

BOOK-ENTRY ONLY SYSTEM

THE INFORMATION IN THIS APPENDIX C CONCERNING THE DEPOSITORY TRUST COMPANY AND ITS BOOK-ENTRY SYSTEM HAS BEEN OBTAINED FROM SOURCES THAT THE DISTRICT AND THE UNDERWRITERS BELIEVE TO BE RELIABLE, BUT THE DISTRICT AND THE UNDERWRITERS TAKE NO RESPONSIBILITY FOR THE ACCURACY OR COMPLETENESS THEREOF. THERE CAN BE NO ASSURANCE THAT THE DEPOSITORY TRUST COMPANY WILL ABIDE BY ITS PROCEDURES OR THAT SUCH PROCEDURES WILL NOT BE CHANGED FROM TIME TO TIME.

The Depository Trust Company ("DTC") will act as securities depository for the Bonds. The 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 Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world's largest security depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at **www.dtcc.com**. Information on these websites is not incorporated herein by reference.

Purchases of the Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the 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 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 Bonds, except in the event that use of the book-entry system for the 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 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 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 Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the security documents. For example, Beneficial Owners of the Bonds may wish to ascertain that the nominee holding the 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 Bonds are to be redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the 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 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions, and other payments on the 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 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 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 BONDS (1) PAYMENTS OF PRINCIPAL OF AND INTEREST ON THE BONDS (2) CONFIRMATIONS OF THEIR OWNERSHIP INTERESTS IN THE BONDS OR (III) OTHER NOTICES SENT TO DTC OR CEDE & CO., ITS PARTNERSHIP NOMINEE, AS THE REGISTERED OWNER OF THE 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 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 RESOLUTION, OR (4) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS OWNER OF THE BONDS.

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APPENDIX D

PROPOSED FORM OF OPINION OF BOND COUNSEL

Upon the delivery of the Bonds, Hawkins Delafield &Wood LLP, Bond Counsel to the District, proposes to render its final approving opinion with respect to the Bonds in substantially the following form:

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 $500,000,000 Los Angeles Unified School District (County of Los Angeles, California) General Obligation Bonds, Series QRR (2022) (Dedicated Unlimited *Ad Valorem* Property Tax Bonds) (Sustainability Bonds) (the "Bonds") (the Bonds maturing on January 1, 2023 are referred to as the "Federally Taxable Bonds" and all other maturities of the Bonds are referred to as the "Tax-Exempt Bonds").

The Bonds are being issued by the County of Los Angeles (the "County") on behalf of the Los Angeles Unified School District (the "District") pursuant to the provisions of Chapters 1 and 1.5 of Part 10 of Division 1 of Title 1 of the California Education Code (the "Act"), a vote of the qualified electors of the District at two separate elections authorizing general obligation bonds to be issued pursuant to Measure Q and Measure RR, as applicable, and a resolution of the Board of Supervisors of the County adopted on September 27, 2022 (the "County Resolution") at the request of the District pursuant to a resolution adopted by the Board of Education of the District (the "District Board") on June 21, 2022 (the "District 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 District Resolution has been duly adopted by the District Board and constitutes a valid and binding obligation of the District enforceable against the District in accordance with its terms.

(2) The County Resolution has been duly adopted by the Board of Supervisors of the County and constitutes a valid and binding obligation of the County enforceable against the County in accordance with its terms.

(3) The 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).

(4) Under existing statutes and court decisions and assuming continuing compliance with certain tax covenants described below, (a) interest on the Tax-Exempt Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended (the "Code") and (b) interest on the Tax-Exempt Bonds is not treated as a preference item in calculating the alternative minimum tax under the Code; however, for tax years beginning after December 31, 2022,

interest on the Tax-Exempt Bonds is included in the "adjusted financial statement income" of certain corporations that are subject to the alternative minimum tax under Section 55 of the Code.

The Code establishes certain requirements that must be met subsequent to the issuance and delivery of the Tax-Exempt Bonds in order that, for federal income tax purposes, interest on the Tax-Exempt Bonds be not included in gross income under Section 103 of the Code. These requirements include, but are not limited to, requirements relating to the use and expenditure of proceeds of the Tax-Exempt Bonds, restrictions on the investment of proceeds of the Tax-Exempt Bonds prior to expenditure and the requirement that certain earnings be rebated to the federal government. Noncompliance with such requirements may cause interest on the Tax-Exempt Bonds to be included in gross income for federal income tax purposes retroactive to their date of issue, irrespective of the date on which such noncompliance occurs or is ascertained.

On the date of delivery of the Tax-Exempt 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 Tax-Exempt Bonds will, for federal income tax purposes, be excluded from gross income.

In rendering the opinion in paragraph (4) hereof, we have relied upon and assumed (a) the material accuracy of the representations, statements of intention and reasonable expectation, and certifications of fact contained in the Tax Certificate with respect to matters affecting the status of interest paid on the Tax-Exempt Bonds, and (b) compliance by the District with the procedures and covenants set forth in the Tax Certificate as to such tax matters.

(5) Interest on the Federally Taxable Bonds is included in gross income for federal income tax purposes pursuant to the Code.

(6) Under existing statutes, interest on the Bonds is exempt from State of California personal income taxes.

We express no opinion as to any other federal, state or local tax consequences arising with respect to the Bonds or the ownership or disposition thereof, except as stated in paragraphs (4), (5) and (6) above. We render our opinion under existing statutes and court decisions as of the date hereof, and assume no obligation to update, revise or supplement our opinion to reflect any action hereafter taken or not taken, any fact or circumstance that may hereafter come to our attention, any change in law or interpretation thereof that may hereafter occur, or for any other reason. We express no opinion as to the consequence of any of the events described in the preceding sentence or the likelihood of their occurrence. In addition, we express no opinion on the effect of any action taken or not taken in reliance upon an opinion of other counsel regarding federal, state or local tax matters, including, without limitation, exclusion from gross income for federal income tax purposes of interest on the Tax-Exempt Bonds.

We undertake no responsibility for the accuracy, completeness or fairness of any official statement or other offering materials relating to the Bonds and express herein no opinion relating thereto.

The foregoing opinions are qualified to the extent that the enforceability of the Bonds, the County Resolution, the District 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,

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APPENDIX E

FORM OF CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (the "Disclosure Certificate") is executed and delivered by the Los Angeles Unified School District (the "District") in connection with the issuance of its Bonds (defined herein), which are being issued pursuant to the laws of the State of California and the 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 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 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.

"Beneficial Owner" shall mean any person who (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries), or (b) is treated as the owner of any Bonds for federal income tax purposes.

"Bonds" shall mean the General Obligation Bonds, Series QRR (2022) (Dedicated Unlimited *Ad Valorem* Property Tax Bonds) (Sustainability Bonds).

"County" shall mean the County of Los Angeles, California.

"CUSIP Numbers" shall mean the Committee on Uniform Security Identification Procedure's unique identification number for each public issue of a security.

"Dissemination Agent" shall mean Digital Assurance Certification, L.L.C., or any successor Dissemination Agent designated in writing by the District and which has filed with the District a written acceptance of such designation.

"Disclosure Counsel" shall mean an attorney-at-law, or a firm of such attorneys, of nationally recognized standing in matters pertaining to the disclosure obligations under the Rule, duly admitted to the practice of law before the highest court of any state of the United States of America.

"EMMA System" shall mean the MSRB's Electronic Municipal Market Access system, the current internet address of which is http://emma.msrb.org.

"Financial Obligation" shall mean, for purposes of the Listed Events set out in Section 6(b)(xv) and Section 6(b)(xvi), a (i) debt obligation; (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (iii) guarantee of (i) or (ii). The term "Financial Obligation" shall not include municipal securities (as defined in the Securities Exchange Act of 1934, as amended) as to which a final official statement (as defined in the Rule) has been provided to the MSRB consistent with the Rule.

"Holder" shall mean either the registered owners of the Bonds, or if the Bonds are registered in the name of The Depository Trust Company or another recognized depository, any applicable participant in such depository system.

"Listed Events" shall mean any of the events listed in Section 6(b) of this Disclosure Certificate.

"MSRB" shall mean the Municipal Securities Rulemaking Board established pursuant to Section 15B(b)(1) of the Securities Exchange Act of 1934, or any successor thereto or to the functions of the MSRB contemplated by this Disclosure Certificate.

"Official Statement" shall mean the Official Statement dated November 8, 2022, with respect to the Bonds.

"Participating Underwriters" shall mean the original underwriters of the Bonds required to comply with the Rule in connection with offering of the Bonds.

"Resolution" shall mean collectively, the resolution adopted by the Board of Education of the District on June 21, 2022, and a resolution adopted by the Board of Supervisors of the County on September 27, 2022.

"Rule" shall mean Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

Section 3. Transmission of Notices, Documents and Information. (a) Unless otherwise required by the MSRB, all notices, documents and information provided to the MSRB shall be provided to the EMMA System.

(b) All notices, documents and information provided to the MSRB shall be provided in an electronic format as prescribed by the MSRB.

Section 4. Provision of Annual Reports. (a) The District shall, or shall cause the Dissemination Agent to, not later than 240 days following the end of the District's fiscal year (currently ending June 30), commencing with the report for the 2021-22 fiscal year (which is due not later than February 25, 2023), provide to the MSRB through its EMMA System an Annual Report which is consistent with the requirements of Section 5 of this Disclosure Certificate. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 5 of this Disclosure Certificate. If the District's fiscal year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 6(c).

(b) Not later than thirty (30) days (not more than sixty (60) days) prior to the date on which the Annual Report is to be provided pursuant to subsection (a), the Dissemination Agent shall give notice to the District that the Annual Report is so required to be filed in accordance with the terms of this Disclosure Certificate. Not later than fifteen (15) days prior to said date, the District shall provide the Annual Report to the Dissemination Agent (if other than the District). If the District is unable to provide to the MSRB through its EMMA System an Annual Report by the date required in subsection (a), the Dissemination Agent shall send a timely notice of such fact to the MSRB through its EMMA System.

(c) The Dissemination Agent shall:

(i) determine each year prior to the date for providing the Annual Report to the EMMA System the date on which such Annual Report shall be due and notify the District of such date; and

(ii) (if the Dissemination Agent is other than the District) file a report with the District certifying that the Annual Report has been provided pursuant to this Disclosure Certificate, stating the date it was provided and that it was provided to the MSRB through the EMMA System.

Section 5. Content of Annual Reports. The District's Annual Report shall contain or include by reference the following:

(a) Audited financial statements of the District for the preceding fiscal year, prepared in accordance with the laws of the State of California and including all statements and information prescribed for inclusion therein by the Controller of the State of California. If the District's audited financial statements are not available by the time the Annual Report is required to be filed pursuant to Section 4 hereof, the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in the final Official Statement, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available.

(b) To the extent not included in the audited financial statements 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 – "Average Daily Attendance";

(vii) Table A-4 – "District General Fund Budget" for the current fiscal year;

(viii) Table A-19 – "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-20 – "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-21 – "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-22 – "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;

(xii) Table A-23 – "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; and

(xiii) Table A-24 - "Measure RR (Election of 2020) Bonds," if and only to the extent that bonds issued pursuant to Measure RR or bonds that have refunded such bonds are outstanding.

(c) It shall be sufficient for purposes of Section 4 hereof if the District provides annual financial information by specific reference to documents (i) available to the public on the MSRB Internet Web site (currently, www.emma.msrb.org) or (ii) filed with the Securities and Exchange Commission. The District shall clearly identify each such other document so included by reference. The provisions of this Section 5(c) shall not apply to notices of Listed Events pursuant to Section 6 hereof.

(d) The descriptions contained in clause (b) above of financial information and operating data constituting to be included in the Annual Report are of general categories or types of financial information and operating data. When such descriptions include information that no longer can be generated because the operations to which it related have been materially changed or discontinued, or due to changes in accounting practices, legislative or organizational changes, a statement to that effect shall be provided in lieu of such information. Comparable information shall be provided if available.

Section 6. Reporting of Listed Events. (a) If a Listed Event occurs, the District shall provide or cause to be provided, in a timely manner not in excess of ten (10) Business Days of the District having notice of such Listed Event, notice of such Listed Event to (i) the EMMA System of the MSRB and (ii) the Dissemination Agent.

(b) Pursuant to the provisions of this Section 6, the District shall give, or cause to be given, notice of the occurrence of any of the following events (each, a "Listed Event") with respect to the Bonds:

(i) principal and interest payment delinquencies;

(ii) non-payment related defaults, if material;

(iii) modifications to rights of Holders, if material;

(iv) bond calls, if material and tender offers;

(v) defeasances;

(vi) rating changes;

(vii) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (Internal Revenue Service Form 5701-TEB) or other material notices of determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds;

(viii) unscheduled draws on the debt service reserves reflecting financial difficulties;

(ix) unscheduled draws on the credit enhancements reflecting financial difficulties;

(x) release, substitution or sale of property securing repayment of the Bonds, if material;

(xi) bankruptcy, insolvency, receivership or similar event of the District (such event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for the District in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under State or federal law in which a court or government authority has assumed jurisdiction over substantially all of the assets or business of the District, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the District);

(xii) substitution of credit or liquidity providers, or their failure to perform;

(xiii) the consummation of a merger, consolidation, or acquisition involving the District or the sale of all or substantially all of the assets of the District, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;

(xiv) appointment of a successor or additional Paying Agent or the change of name of a Paying Agent, if material;

(xv) incurrence of a Financial Obligation of the District, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the District, any of which affect security holders, if material;

(xvi) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the District, any of which reflect financial difficulties; and

(xvii) any amendment or waiver of a provision of this Disclosure Certificate.

The District intends to comply with the Listed Events described in Section 6(b)(xv) and Section 6(b)(xvi), and the definition of "Financial Obligation" in Section 1, with reference to the Rule, any other applicable federal securities laws and the guidance provided by the Securities and Exchange Commission in Release No. 34-83885, dated August 20, 2018 (the "2018 Release"), and any further amendments or written guidance provided by the Securities and Exchange Commission or its staff with respect the amendments to the Rule effected by the 2018 Release. The District notes that items (viii), (ix), (x) and (xii) are not applicable to the Bonds.

(c) If the District determines that a Listed Event has occurred, the District shall promptly notify the Dissemination Agent in writing. Such notice shall instruct the Dissemination Agent to report the occurrence pursuant to Section 3 hereof.

(d) If the Dissemination Agent has been instructed by the District to report the occurrence of a Listed Event, the Dissemination Agent shall file a notice of such occurrence with the MSRB through its EMMA System.

(e) Notwithstanding the foregoing, notice of Listed Events described in subsections (b)(iv) need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to Holders of affected Bonds pursuant to the 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 Bonds and the 9-digit CUSIP numbers for the Bonds as to which the provided information relates.

Section 8. Termination of Reporting Obligation. (a) The District's obligations under this Disclosure Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds. If such termination occurs prior to the final maturity of the 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 Bonds, whether because such portions of the Rule are invalid, have been repealed, or otherwise, as shall be specified in such opinion, and (2) delivers copies of such opinion to the MSRB.

Section 9. Dissemination Agent. The District may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any such Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent shall be Digital Assurance Certification, L.L.C. If at any time there is no designated Dissemination Agent appointed by the District, or if the Dissemination Agent so appointed is unwilling or unable to perform the duties of the Dissemination Agent hereunder, the District shall be the Dissemination Agent and undertake or assume its obligations hereunder. The Dissemination Agent (other than the District) shall not be responsible in any manner for the content of any notice or report required to be delivered by the District pursuant to this Disclosure Certificate.

Section 10. Amendment; Waiver. (a) This Disclosure Certificate may be amended by the District without the consent of the holders of the Bonds (except to the extent required under clause (a)(iv)(2) below), if all of the following conditions are satisfied:

(i) such amendment is made in connection with a change in circumstances that arises from a change in legal (including regulatory) requirements, a change in law (including rules or regulations) or in interpretations thereof, or a change in the identity, nature or status of the District or the type of business conducted thereby;

(ii) this Disclosure Certificate as so amended would have complied with the requirements of the Rule as of the date of this Disclosure Certificate, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances;

(iii) the District shall have received an opinion of a nationally recognized bond counsel or counsel expert in federal securities laws, addressed to the District, to the same effect as set forth in (a)(ii) above;

(iv) either (1) the District shall have received an opinion of a nationally recognized bond counsel or counsel expert in federal securities laws, addressed to the District, to the effect that the amendment does not materially impair the interests of the holders of the Bonds or (2) is approved by the Holders of the Bonds in the same manner as provided in the Resolution for amendments to the 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 Bonds, if all of the following conditions are satisfied:

(i) an amendment to the Rule is adopted, or a new or modified official interpretation of the Rule is issued, after the effective date of this Disclosure Certificate which is applicable to this Disclosure Certificate;

(ii) the District shall have received an opinion of a nationally recognized bond counsel or counsel expert in federal securities laws, addressed to the District, to the effect that performance by the District under this Disclosure Certificate as so amended or giving effect to such waiver, as the case may be, will not result in a violation of the Rule; and

(iii) the District shall have delivered copies of such opinion and amendment to the MSRB through its EMMA system.

(c) In the event of any amendment or waiver of a provision of this Disclosure Certificate, the District shall describe such amendment in the next Annual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the District. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (i) notice of such change shall be given in the same manner as for a Listed Event under Section 6 hereof, and (ii) the Annual Report for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

Section 11. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the District from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the District chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, the District shall have no obligation under this Disclosure Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

Section 12. Default. In the event of a failure of the District to comply with any provision of this Disclosure Certificate, the Dissemination Agent may (and, at the request of any Participating Underwriters or the Holders or Beneficial Owners of at least 25% of aggregate principal amount of the Bonds then outstanding, shall) or any Holders or Beneficial Owners of the Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the District to comply with its obligations under this Disclosure Certificate; provided that any such action may be instituted only in the Superior Court of the State of California in and for the County of Los Angeles or in the U.S. District Court in the County of Los Angeles. A default under this Disclosure Certificate shall not be deemed an Event of Default under the 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 Bonds.

Section 14. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the District, the Dissemination Agent, the Participating Underwriters and Holders and Beneficial Owners from time to time of the Bonds, and shall create no rights in any other person or entity.

Section 15. Execution in Counterparts. This Disclosure Certificate may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same certificate.

Dated: November 22, 2022

LOS ANGELES UNIFIED SCHOOL DISTRICT

By: ____
David D. Hart
Chief Financial Officer

ACKNOWLEDGED AND AGREED TO BY:

DIGITAL ASSURANCE CERTIFICATION, L.L.C.,
as Dissemination Agent

By: ____
Dissemination Agent

APPENDIX F

THE LOS ANGELES COUNTY TREASURY POOL

The Treasurer and Tax Collector of the County of Los Angeles (the "Treasurer") manages, in accordance with California Government Code Section 53600 et seq., funds deposited with the Treasurer by County school and community college districts, various special districts and some cities. State law generally requires that all moneys of the County, school districts and certain special districts be held in the County's Treasury Pool (the "Treasury Pool") as described below. The composition and value of investments under management in the Treasury Pool vary from time to time, depending on the cash flow needs of the County and the other public agencies invested in the Treasury Pool, the maturity or sale of investments, purchase of new securities and fluctuations in interest rates generally. Additionally, the Treasurer, with the consent of the Board of Supervisors of the County of Los Angeles (the "County"), may change the County investment policy at any time. Therefore, there can be no assurance that the values of the various investments in the Treasury Pool will not vary significantly from the values described herein. Neither the District, the Municipal Advisor nor the Underwriters make any representation as to the accuracy or adequacy of such information or as to the absence of material adverse changes in such information subsequent to the date hereof, or that the information contained herein is correct as of any time subsequent to its date. The Treasurer maintains a website, the address of which is ***https://ttc.lacounty.gov/monthly-reports/****, 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 Bonds.*

The 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 August 31, 2022, 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	$17.567
Schools and Community Colleges	19.864
Discretionary Participants	3.845
Total	$41.276

The Treasury Pool participation composition is as follows:

Non-discretionary Participants	90.68%
Discretionary Participants:	
Independent Public Agencies	8.89
County Bond Proceeds and Repayment Funds	0.43
Total	100.00%

Decisions on the investment of funds in the Treasury Pool are made by the County Investment Officer in accordance with established policy, with certain transactions requiring the Treasurer's prior approval. In Los Angeles County, investment decisions are governed by Chapter 4 (commencing with Section 53600) of Part 1 of Division 2 of Title 5 of the California Government Code, which governs legal investments by local agencies in the State of California, and by a more restrictive Investment Policy developed by the Treasurer and adopted by the Los Angeles County Board of Supervisors on an annual basis. The Investment Policy adopted on March 1, 2022, 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 September 30, 2022, the August 31, 2022 book value of the Treasury Pool was approximately $41.276 billion, and the corresponding market value was approximately $39.017 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 August 31, 2022:

Type of Investment	% of Pool
Certificates of Deposit	4.36%
U.S. Government and Agency Obligations	72.83
Bank Acceptances	0.00
Commercial Paper	22.71
Municipal Obligations	0.07
Corporate Notes & Deposit Notes	0.03
Repurchase Agreements	0.00
Asset Backed Instruments	0.00
Other	0.00
	100.00%

The Treasury Pool is highly liquid. As of August 31, 2022, approximately 37.37% of the investments mature within 60 days, with an average of 1,034 days to maturity for the entire portfolio.

APPENDIX G

SEMI-ANNUAL DEBT SERVICE ON THE BONDS BY MEASURE

The following table sets forth the semi-annual debt service obligations for the Bonds by measure.

LOS ANGELES UNIFIED SCHOOL DISTRICT
SEMI-ANNUAL DEBT SERVICE SCHEDULE SHOWING BONDS BY MEASURE

	Measure Q			Measure RR		
Semi-Annual Period Through	**Principal**	**Interest**	**Semi Annual Debt Service**	**Principal**	**Interest**	**Semi Annual Debt Service**
January 1, 2023	$ 4,940,000	$ 548,363	$ 5,488,363	$ 27,645,000	$ 2,173,060	$ 29,818,060
July 1, 2023	-	2,419,756	2,419,756	23,400,000	9,407,494	32,807,494
January 1, 2024	-	2,419,756	2,419,756	-	8,822,494	8,822,494
July 1, 2024	285,000	2,419,756	2,704,756	19,460,000	8,822,494	28,282,494
January 1, 2025	-	2,412,631	2,412,631	-	8,335,994	8,335,994
July 1, 2025	295,000	2,412,631	2,707,631	20,435,000	8,335,994	28,770,994
January 1, 2026	-	2,405,256	2,405,256	-	7,825,119	7,825,119
July 1, 2026	310,000	2,405,256	2,715,256	21,455,000	7,825,119	29,280,119
January 1, 2027	-	2,397,506	2,397,506	-	7,288,744	7,288,744
July 1, 2027	330,000	2,397,506	2,727,506	22,525,000	7,288,744	29,813,744
January 1, 2028	-	2,389,256	2,389,256	-	6,725,619	6,725,619
July 1, 2028	340,000	2,389,256	2,729,256	23,655,000	6,725,619	30,380,619
January 1, 2029	-	2,380,756	2,380,756	-	6,134,244	6,134,244
July 1, 2029	360,000	2,380,756	2,740,756	24,835,000	6,134,244	30,969,244
January 1, 2030	-	2,371,756	2,371,756	-	5,513,369	5,513,369
July 1, 2030	3,305,000	2,371,756	5,676,756	11,780,000	5,513,369	17,293,369
January 1, 2031	-	2,289,131	2,289,131	-	5,218,869	5,218,869
July 1, 2031	3,470,000	2,289,131	5,759,131	7,910,000	5,218,869	13,128,869
January 1, 2032	-	2,202,381	2,202,381	-	5,021,119	5,021,119
July 1, 2032	3,645,000	2,202,381	5,847,381	8,305,000	5,021,119	13,326,119
January 1, 2033	-	2,111,256	2,111,256	-	4,813,494	4,813,494
July 1, 2033	3,825,000	2,111,256	5,936,256	8,720,000	4,813,494	13,533,494
January 1, 2034	-	2,015,631	2,015,631	-	4,595,494	4,595,494
July 1, 2034	4,015,000	2,015,631	6,030,631	9,160,000	4,595,494	13,755,494
January 1, 2035	-	1,915,256	1,915,256	-	4,366,494	4,366,494
July 1, 2035	4,220,000	1,915,256	6,135,256	9,615,000	4,366,494	13,981,494
January 1, 2036	-	1,809,756	1,809,756	-	4,126,119	4,126,119
July 1, 2036	4,430,000	1,809,756	6,239,756	10,095,000	4,126,119	14,221,119
January 1, 2037	-	1,699,006	1,699,006	-	3,873,744	3,873,744
July 1, 2037	4,650,000	1,699,006	6,349,006	10,600,000	3,873,744	14,473,744
January 1, 2038	-	1,582,756	1,582,756	-	3,608,744	3,608,744
July 1, 2038	4,880,000	1,582,756	6,462,756	11,130,000	3,608,744	14,738,744
January 1, 2039	-	1,460,756	1,460,756	-	3,330,494	3,330,494
July 1, 2039	5,125,000	1,460,756	6,585,756	11,690,000	3,330,494	15,020,494
January 1, 2040	-	1,332,631	1,332,631	-	3,038,244	3,038,244
July 1, 2040	5,385,000	1,332,631	6,717,631	12,275,000	3,038,244	15,313,244
January 1, 2041	-	1,198,006	1,198,006	-	2,731,369	2,731,369
July 1, 2041	5,650,000	1,198,006	6,848,006	12,885,000	2,731,369	15,616,369
January 1, 2042	-	1,056,756	1,056,756	-	2,409,244	2,409,244
July 1, 2042	5,935,000	1,056,756	6,991,756	13,530,000	2,409,244	15,939,244
January 1, 2043	-	908,381	908,381	-	2,070,994	2,070,994
July 1, 2043	6,230,000	908,381	7,138,381	14,205,000	2,070,994	16,275,994
January 1, 2044	-	744,844	744,844	-	1,698,113	1,698,113
July 1, 2044	6,560,000	744,844	7,304,844	14,955,000	1,698,113	16,653,113
January 1, 2045	-	572,644	572,644	-	1,305,544	1,305,544
July 1, 2045	6,905,000	572,644	7,477,644	15,735,000	1,305,544	17,040,544
January 1, 2046	-	391,388	391,388	-	892,500	892,500
July 1, 2046	7,265,000	391,388	7,656,388	16,565,000	892,500	17,457,500
January 1, 2047	-	200,681	200,681	-	457,669	457,669
July 1, 2047	7,645,000	200,681	7,845,681	17,435,000	457,669	17,892,669
Total(2)	$ 100,000,000	$ 83,504,482	$ 183,504,482	$ 400,000,000	$ 219,988,203	$ 619,988,203

(1) The Federally Taxable Bonds mature on January 1, 2023. Otherwise, the Tax-Exempt Bonds have principal maturing on July 1 in each of the years and in the amounts set forth on the inside front cover hereof.
(2) Totals may not equal sum of components due to rounding.
Source: Los Angeles Unified School District.

APPENDIX H

SUSTAINABILITY BONDS SECOND PARTY OPINION

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Second Party Opinion

EXECUTIVE SUMMARY

ISSUER

Los Angeles Unified School District (County of Los Angeles, California)

OPINION ON

General Obligation Bonds, Series QRR (2022) (Dedicated Unlimited *Ad Valorem* Property Tax Bonds) (Sustainability Bonds)

SUSTAINABILITY STANDARD

The Sustainability Bond Guidelines

GREEN STANDARD AND CATEGORY

The Green Bond Principles

- Green Buildings

SOCIAL STANDARD AND CATEGORY

The Social Bond Principles

- Access to Essential Services (Education)

TARGET POPULATIONS

Los Angeles Unified School District students and families; children and adolescents with economically disadvantaged and/or minority backgrounds

KEYWORDS

Los Angeles, TK-12 education, early education, net zero aligned, renewable energy, sustainable schools, Collaborative High Performance Schools, CALGreen, student healthcare, California

EVALUATION DATE

November 1, 2022

SUMMARY

Kestrel Verifiers is of the opinion that the Los Angeles Unified School District (County of Los Angeles, California) General Obligation Bonds, Series QRR (2022) (Dedicated Unlimited *Ad Valorem* Property Tax Bonds) (Sustainability Bonds) ("Bonds") are impactful, net zero aligned, conform with the four core components of the Sustainability Bond Guidelines 2021, and align with the United Nations Sustainable Development Goals as follows:

- **Use of Proceeds**
  The Los Angeles Unified School District ("District") intends to issue the Bonds to finance school facility improvements as authorized by voters in Measure RR and Measure Q ("Projects"). Funds will be used to modernize and replace school facilities throughout the District, update school technology and networks, and improve school safety and security. Financed projects include early childhood classrooms and projects that meet robust green building standards. The Bonds align with the *Green Buildings* and *Access to Essential Services (Education)* eligible project categories under the Sustainability Bond Guidelines.

- **Process for Project Evaluation and Selection**
  The bond-financed projects are part of Measure RR and Measure Q, two voter-approved measures intended to improve school facilities and safety. The Projects align with and advance the goals of the District's Sustainability Initiative; follow Strategic Execution Plan amendments; and conform with California's green building standards, the District's Design Guidelines, and the Collaborative for High Performance Schools sustainability standards.

- **Management of Proceeds**
  Proceeds will be solely allocated to Measure RR- and Measure Q activities and to pay costs of issuance. Los Angeles County Treasury will hold bond proceeds until spent. Proceeds are expected to be fully spent by 2024.

- **Reporting**
  The District will post continuing financial disclosures to the Municipal Securities Rulemaking Board ("MSRB") annually through the Electronic Municipal Market Access ("EMMA") system. The District provides public updates on progress toward sustainability goals on the sustainability initiatives website: learninggreen.laschools.org. An Independent Citizen's Oversight Committee provides oversight on the allocation of proceeds and produces publicly available reports. After all proceeds have been spent, the District will produce a one-time Sustainability Bonds Update Report that will be made available on the District's website.

- **Impact and Alignment with United Nations Sustainable Development Goals**
  By financing projects that improve TK-12 (transitional kindergarten through twelfth grade) facilities, improve energy efficiency, and deliver high-quality education to thousands of students, the Bonds support and advance multiple UN SDGs, including Goals 4: *Quality Education*, 7: *Affordable and Clean Energy* and 8: *Decent Work and Economic Growth*.

Second Party Opinion

Issuer:	**Los Angeles Unified School District (County of Los Angeles, California)**
Issue Description:	General Obligation Bonds, Series QRR (2022) (Dedicated Unlimited Ad Valorem Property Tax Bonds) (Sustainability Bonds)
Project:	Measure RR and Measure Q Projects
Sustainability Standard:	Sustainability Bond Guidelines
Green Standard:	Green Bond Principles
Green Category:	Green Buildings
Social Standard:	Social Bond Principles
Social Bond Category:	Access to Essential Services (Education)
Target Populations:	Los Angeles Unified School District students and families; children and adolescents with economically disadvantaged and/or minority backgrounds
Keywords:	Los Angeles, TK-12 education, early education, net zero aligned, renewable energy, sustainable schools, Collaborative High Performance Schools, CALGreen, student healthcare, California
Par:	$500,000,000
Evaluation Date:	November 1, 2022

SUSTAINABILITY BONDS DESIGNATION

Kestrel Verifiers, an Approved Verifier accredited by the Climate Bonds Initiative, conducted an independent external review of the Los Angeles Unified School District (County of Los Angeles, California) General Obligation Bonds, Series QRR (2022) (Dedicated Unlimited Ad Valorem Property Tax Bonds) (Sustainability Bonds) ("Bonds") to evaluate conformance with the Sustainability Bond Guidelines (June 2021) established by the International Capital Market Association. Our team for this engagement included analysts with backgrounds in environmental science and social science.

This Second Party Opinion reflects our review of the uses and allocation of proceeds, oversight, and conformance of the Bonds with the Sustainability Bond Guidelines. In our opinion, the Bonds are impactful, net zero aligned, conform with the four core components of both the Green Bond Principles and the Social Bond Principles, and therefore qualify for Sustainability Bonds designation.

ABOUT THE ISSUER

The Los Angeles Unified School District ("District") is the second largest public school district in the US and covers approximately 710 square miles in Los Angeles County, California. The District is governed by a seven-member Board of Education ("Board") and serves approximately 423,000 students across over 1,200 schools and centers. Facilities include TK-12 (transitional kindergarten through twelfth grade) schools, magnet schools, adult education centers, regional occupation centers, and infant and early childhood education centers.

The District demonstrates a strong commitment to eliminate achievement gaps and provide equitable access to quality education. This commitment is communicated in the District's *2022-2026 Strategic Plan: Ready for the World* and *2021-2022 Local Control and Accountability Plan*, both of which outline actionable strategies, funding opportunities, and long-term plans to achieve educational equity.

Additionally, the District has implemented Positive Behavioral Interventions and Supports ("PBIS"). PBIS is an evidence-based framework for increasing positive behaviors, reducing negative behaviors, and improving classroom and school environments, thereby improving behavioral and academic outcomes for all students. This framework incorporates cultural responsiveness and social-emotional learning as a means to create more equitable outcomes for students. Schools implementing PBIS with fidelity are likely to see significant reduction in racial disparities in behavioral incidents. In turn, decreases in disruptive behaviors, out-of-school suspensions, and office referrals leads to an increase in learning time and positive impacts on academic outcomes for all student groups. Several schools in the District have received different levels of PBIS Implementation Awards[1] and in 2014 the District adopted a Discipline Foundation Policy for PBIS.[2] Kestrel views PBIS implementation as a best practice for advancing equitable education.

The District has several programs and policies that demonstrate leadership in environmental sustainability. In 2019, the Board adopted a target to transition to 100% renewable energy by 2040, including HVAC, cooking and transportation uses.

Construction of sustainable schools is one of multiple strategies to meet sustainability targets. The Board passed the *Sustainability and the Design and Construction of High Performance Schools* resolution in 2003, directing the design of all new schools and modernization projects to use the Collaborative for High Performance Schools green building standards. Multiple schools have also achieved LEED certifications. School facilities are designed to incorporate renewable energy, improve local ecology, reduce heat island effects and provide innovative stormwater management. School facilities are also transitioning to full electrification.

Energy efficiency and conservation is also a primary focus of the District. Grants from the Proposition 39 Clean Energy Jobs Act have supported comprehensive energy retrofits across approximately 70 campuses. Partnerships with California Conservation Corps and the Los Angeles Conservation Corps supported creation of a workforce development program alongside the allocation of Proposition 39 funds for energy retrofits. The District has a comprehensive Lighting Retrofit Program to transition lighting to LEDs, is part of the US Department of Energy's Zero Energy Schools Accelerator, and is a participant in the Better Buildings Challenge. Environmental education is incorporated into curriculum, and a variety of initiatives build environmental literacy, teach net zero energy concepts, water stewardship and drought response. The District has also committed to replace the entire bus fleet with electric school buses by 2040.

[1] "Statewide Recognitions," California PBIS Coalition, accessed October 14, 2022, https://pbisca.org/state-recognition-system.

[2] "Positive Behavior Interventions and Supports/Restorative Practices," Los Angeles Unified School District, accessed October 14, 2022, https://achieve.lausd.net/Page/11925.

ALIGNMENT TO SUSTAINABILITY STANDARDS[3]

Use of Proceeds

The Bonds finance capital improvement projects that were approved by (i) Measure RR, as authorized by voters in a November 2020 election and (ii) Measure Q, as authorized by voters in a November 2008 election. Measure RR is a $7 billion authorization and funds will be used to modernize and replace school facilities, update school technology and networks, upgrade school safety and security, and fund other capital expenses. Measure Q is a $7 billion authorization and funds will be used to repair classrooms, upgrade fire and earthquake safety, remove asbestos and lead paint, improve classroom internet access, and other capital expenses. Approximately $400 million and $100 million will go toward Measure RR Projects and Measure Q Projects, respectively.

Measure RR Projects and Measure Q Projects are eligible green projects as defined by the Green Bond Principles in the project category of *Green Buildings,* and are eligible social projects as defined by the Social Bond Principles in the project category of *Access to Essential Services (Education).* By supporting both environmental and social impact goals, the Bonds conform with the Sustainability Bond Guidelines.

Green Standard

Eligible Project Category:
- Green Buildings

Social Standard

Eligible Project Category:
- Access to Essential Services (Education)

Measure RR Projects

A majority of Bond proceeds will finance eligible Measure RR Projects under the following project categories:

- Telecommunications and Network Upgrades
- School Safety and Security
- Technology Infrastructure
- Facility Modernization and Renovation
- New Construction/Acquisition
- Accessibility Improvements (wellness clinics, athletic fields, etc.)
- Joint Use Projects
- Charter School Facility Development
- Equipping and Furnishing Schools
- Acquire or Replace School Buses

Many Measure RR Projects are already in design or construction stages. For example, there are 28 major school campus modernization and school building renovation projects underway ranging from $100 – $250 million each. Other ongoing Measure RR Projects include HVAC system upgrades, roof replacement, soil stabilization, athletic turf field replacement, and wellness clinic projects. Particularly high-impact projects include energy efficient design, construction or renovation of facilities; school modernization projects that improve learning environments for students; and development of school-based Wellness Centers.

Measure Q Projects

A smaller portion of Bond proceeds will finance eligible Measure Q Projects under the following project categories:

- Major Renovations and Modernizations to School Buildings
- Critical Repair and Safety Improvements to School Buildings
- Modernize and Repair School Cafeterias
- Construct and Upgrade Adult and Career Education Facilities
- Americans with Disabilities Act Accessibility Upgrades
- Districtwide Charter School Facilities
- Technology Infrastructure and System Upgrades

[3] Sustainability Bonds are bonds in which the proceeds will be exclusively applied to finance or refinance a combination of both Green and Social Projects, and are aligned with the four core components of ICMA's Green Bond Principles and Social Bond Principles.

Green Buildings

Measure RR and Measure Q facility projects must conform with California's mandatory green building standards, referred to as CALGreen, as well as the Collaborative for High Performance Schools criteria for constructing and renovating facilities.

California's second largest source of greenhouse gas emissions is the building sector.[4] To address the opportunity for significant emission reductions from buildings, California maintains robust statewide green building codes. In 2007, in response to Assembly Bill 32 (California Global Warming Solutions Act), the State developed green building standards driven by the following objectives:

- Reducing greenhouse gas emissions from buildings
- Promoting environmentally responsible, cost-effective, healthier places to live and work
- Reducing water and energy consumption

The green building standards have been strengthened through regular updates. The Facilities Improvements must all meet the Green Building Standards Code, Part 11 of Title 24 of the Code of California Regulations. By following these efficient and responsible building design specifications, the District contributes to California's statewide greenhouse gas reduction goals.

In addition to CALGreen building standards, the District uses the Collaborative for High Performance Schools ("CHPS") criteria for certain construction activities. CHPS assigns credits for achievements in the following categories: Integration, Indoor Environmental Quality, Energy, Water, Site, Materials & Waste, and Operations.

School Modernization & Educational Equity

Measure RR Projects and Measure Q Projects that comply with CALGreen not only have environmental benefits, but also have significant impact on the quality of education for students. Potential social benefits of green building design include:

- Enhanced teaching and learning environments resulting from energy efficient upgrades such as improved natural light exposure and indoor air quality.[5]
- Better student and teacher health, which has been correlated to schools with modern and green buildings standards.[6]

In a District that serves one of the most racially and economically diverse communities in the United States, investment in healthy and effective learning spaces is an important component of education equity. Throughout the District as a whole, approximately 86,000 students are learning to speak English proficiently and 73.4% of the student population is Hispanic/Latino, 10.5% is white, 7.5% is Black and/or African American, 3.9% is Asian/Pacific Islander, 2.0% is Filipino, and less than 1% is American Indian or Alaskan Native, Native Hawaiian or Native Pacific Islander.[7] Additionally, 34.1% of parents in the district have earned less than a high school degree and 23.9% of families live below the federal poverty line.[8] The District has demonstrated a strong commitment to support underserved students and close opportunity and achievement gaps.

The District's *2022-2026 Strategic Plan: Ready for the World* and 2*021-2022 Local Control and Accountability Plan*, articulates the District's vision and commitment to improve outcomes and opportunities for all students and strategies to close achievement gaps.[9] By financing school building modernization projects, such as the

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[4] "Research on Green Buildings," California Air Resources Board, accessed October 13, 2022, https://ww2.arb.ca.gov/research/research-green-buildings.

[5] "Green School Buildings Are Better for Teachers and Students," Center for Green Schools, July 1, 2018, https://www.centerforgreenschools.org/green-schools-are-better-learning.

[6] "Stanford Analysis Reveals Wide Array of Benefits from Environmental Education," North American Association for Environmental Education, eeWORKS – a program of NAAEE, Stanford, and other partners, accessed June 9, 2022, https://cdn.naaee.org/.

[7] "LCFF Budget Overview for Parents & Supplement to the Annual Update to the 2021–22 Local Control and Accountability Plan," School Year 2022-2023, accessed October 13, 2022, https://achieve.lausd.net/lcap.

[8] "Los Angeles Unified School District Demographic Dashboard," National Center for Education Statistics, access October 13, 2022, https://nces.ed.gov/Programs/Edge/ACSDashboard/0622710.

[9] As part of California's Local Control Funding Formula (LCFF), school districts are required to develop, adopt, and annually update a three-year Local Control Accountability Plan (LCAP) to report on the funds distributed through the LCFF. The LCAP must identify annual goals and actions to implement those goals, as well as measure progress for student groups across multiple performance indicators based on priorities set by the State.

conversion of mobile classrooms to permanent classrooms or upgrading lighting and ventilation, proceeds will support the District's commitment to provide equitable learning opportunities for students.

Wellness Centers

Bond proceeds may also finance projects at Wellness Centers—district-built facilities, operated by Federally Qualified Health Center medical providers or partners and/or the District's Student Medical Services. The District provides several types of health services to students and families at these Wellness Centers, including medical, mental health, vision, dental, screening and preventative services. There are 17 Wellness Centers in operation and two in development. Several are located in communities that are medically underserved.

School-based health clinics and wellness centers are a best practice. The US Department of Health and Human Services' Community Preventive Services Task Force recommends school-based health centers because of the positive effects on academic performance and graduation rates.[10] Additionally, if school-based health clinics and wellness centers are targeted to low-income neighborhoods, they are likely to reduce educational gaps and advance health equity.[11]

Net Zero Alignment

Use of proceeds bonds are net zero aligned if bond-financed activities advance goals to reach net zero greenhouse gas emissions by 2050. The Bonds advance emissions reduction goals by financing construction and renovation of energy efficient schools, incorporating renewable energy, and reducing environmental impacts. Decarbonizing projects include fully electrified buildings, solar installations, and features to reduce heat island effects. The Bonds also align with the City of Los Angeles's target to significantly reduce greenhouse gas emissions from fossil fuels by 2030 and reach net zero carbon by 2050.

Advancing the Just Transition

The Bonds finance activities which align with the *just transition,* characterized by the equitable inclusion and accommodation of all individuals, with a special focus on disadvantaged groups who may be directly or indirectly affected by the structural changes necessary for the transition to a low-carbon economy. The District serves a high proportion of students and families that are economically disadvantaged, have relatively low levels of educational attainment, and identify as Latino/Hispanic and/or minority. The Bonds directly impact the pursuit of equitable education by supporting the entire school system inclusive of all students. In Kestrel's view, municipal debt at the local level that is targeted toward low-income communities and differentiated from universal funding across the state can be one of the most impactful and meaningful ways to promote equitable public education funding.

Process for Project Evaluation and Selection

The financed projects advance goals adopted in the District's Sustainability Initiative, align with the District's Strategic Execution Plan, and conform with California's green building standards, the District's Design Guidelines, and the Collaborative for High Performance Schools sustainability standards.

The school improvements are part of facilities improvements authorized by voters under Measure RR in 2020 and Measure Q in 2008. Projects are overseen by the District's Board of Education and the Independent Bond Citizen's Oversight Committee, and are prioritized based on criteria and planning processes established by the Board which address safety concerns, facilities condition assessments, and seismic vulnerabilities.

Management of Proceeds

Proceeds will be solely allocated to the Measure RR and Measure Q activities and to pay costs of issuance. Los Angeles County Treasury will hold proceeds with other bond measure funds and allocate funds following authorization by the Facilities Services Division. Funds will be held in a temporary investment pool in accordance with the County of Los Angeles Investment Policy. Proceeds are expected to be fully spent by 2024.

[10] "Summary of CPSTF Finding," Social Determinants of Health: School-Based Health Centers, accessed October 14, 2022, https://www.thecommunityguide.org/findings/social-determinants-health-school-based-health-centers.

[11] "Task Force Finding and Rationale Statement," Social Determinants of Health: School-Based Health Centers, https://www.thecommunityguide.org/sites/default/files/assets/SDOH-School-Based-Health-Centers-508.pdf.

Reporting

The District will submit continuing financial disclosures to the Municipal Securities Rulemaking Board ("MSRB") as long as the Bonds are outstanding, as well as reports in the event of material developments. This reporting will be done annually on the Electronic Municipal Market Access ("EMMA") system operated by the MSRB.

The Board will conduct annual independent performance audits to ensure proceeds are expended on Measure RR and Measure Q Projects. The Chief Financial Officer will issue an annual audited financial report detailing bond fund revenues and expenditures. An Independent Citizen's Oversight Committee provides oversight on the allocation of proceeds and posts reports on the website: achieve.lausd.net/Page/18640. After all proceeds have been spent, the District will produce a one-time Sustainability Bonds Update Report that will be made available on the District's website. Additionally, the District provides public updates on progress toward sustainability goals on the sustainability initiatives website: learninggreen.laschools.org.

IMPACT AND ALIGNMENT WITH UN SDGs

The bond-financed school improvement projects are helping to address United Nations Sustainable Development Goals ("UN SDGs") 4, 7, and 8 by improving learning environments in K-12 education facilities. This is accomplished through energy efficiency upgrades, construction, and modernization of low carbon buildings. The Bonds advance Targets 4.1 and 4.6 by financing projects that support the high-quality education offered through the District. The Bonds support Targets 7.3 and 8.6 by financing facility upgrades that improve energy efficiency.

Full text of the Targets for Goals 4, 7, and 8 are available in Appendix A, with additional information available on the United Nations website: un.org/sustainabledevelopment

SUSTAINABLE DEVELOPMENT GOALS

4 QUALITY EDUCATION	Quality Education (Targets 4.1,4.6) <u>Possible Indicators</u> ▪ Number of students provided access to education ▪ Number of students enrolled ▪ School performance metrics
7 AFFORDABLE AND CLEAN ENERGY	Affordable and Clean Energy (Target 7.3) <u>Possible Indicators</u> ▪ Avoided GHG emissions (CO2-eq) throughout the District ▪ Energy use intensity reduction throughout the District
8 DECENT WORK AND ECONOMIC GROWTH	Decent Work and Economic Growth (Target 8.6) <u>Possible Indicators</u> ▪ Graduation rate of students

CONCLUSION

Based on our independent external review, the General Obligation Bonds, Series QRR (2022) (Dedicated Unlimited Ad Valorem Property Tax Bonds) (Sustainability Bonds) conform, in all material respects, with the Sustainability Bond Guidelines (2021). The Projects align with the *Green Buildings* project category of the Green Bond Principles and the *Access to Essential Services (Education)* project category of the Social Bond Principles. Los Angeles Unified School District and the bond-financed projects demonstrate leadership in providing high-quality education and exemplary facilities that directly advance ambitious sustainability goals.

ABOUT KESTREL VERIFIERS

For over 20 years Kestrel has been a trusted consultant in sustainable finance. Kestrel Verifiers, a division of Kestrel 360, Inc. is a Climate Bonds Initiative Approved Verifier qualified to verify transactions in all asset classes worldwide. Kestrel is a US-based certified Women's Business Enterprise. For more information, visit kestrelverifiers.com.

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DISCLAIMER

This Opinion aims to explain how and why the discussed financing meets the ICMA Sustainability Bond Guidelines based on the information that was provided by the District or made publicly available by the District and relied upon by Kestrel only during the time of this engagement (October 2022), and only for purposes of providing this Opinion.

We have relied on information obtained from sources believed to be reliable, and assumed the information to be accurate and complete. However, Kestrel Verifiers can make no warranty, express or implied, nor can we guarantee the accuracy, comprehensive nature, merchantability, or fitness for a particular purpose of the information we were provided or obtained.

By providing this Opinion, Kestrel Verifiers is neither addressing nor certifying the credit risk, liquidity risk, market value risk or price volatility of the projects financed by the Sustainability Bonds. It was beyond Kestrel Verifiers' scope of work to review for regulatory compliance, and no surveys or site visits were conducted by us. Furthermore, we are not responsible for surveillance, monitoring, or implementation of the project, or use of proceeds.

The Opinion delivered by Kestrel Verifiers is for informational purposes only, is current as of the date of issuance, and does not address financial performance of the Sustainability Bonds or the effectiveness of allocation of its proceeds. This Opinion does not make any assessment of the creditworthiness of the District, nor its ability to pay principal and interest when due. This Opinion does not address the suitability of a Bond as an investment, and contains no offer, solicitation, endorsement of the Bonds nor any recommendation to buy, sell or hold the Bonds. Kestrel Verifiers accepts no liability for direct, indirect, special, punitive, consequential or any other damages (including lost profits), for any consequences when third parties use this Opinion either to make investment decisions or to undertake any other business transactions.

This Opinion may not be altered without the written consent of Kestrel Verifiers. Kestrel Verifiers reserves the right to revoke or withdraw this Opinion at any time. Kestrel Verifiers certifies that there is no affiliation, involvement, financial or non-financial interest in the District or the projects discussed. We are

100% independent. Language in the offering disclosure supersedes any language included in this Second Party Opinion.

Use of the United Nations Sustainable Development Goal (SDG) logo and icons does not imply United Nations endorsement of the products, services, or bond-financed activities. The logo and icons are not being used for promotion or financial gain. Rather, use of the logo and icons is primarily illustrative, to communicate SDG-related activities.

Appendix A.

UN SDG TARGET DEFINITIONS

Target 4.1
By 2030, ensure that all girls and boys complete free, equitable and quality primary and secondary education leading to relevant and Goal-4 effective learning outcomes

Target 4.6
By 2030, ensure that all youth and a substantial proportion of adults, both men and women, achieve literacy and numeracy

Target 7.3
By 2030, double the global rate of improvement in energy efficiency

Target 8.6
By 2020, substantially reduce the proportion of youth not in employment, education or training

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LOS ANGELES UNIFIED SCHOOL DISTRICT (County of Los Angeles, California)
General Obligation Bonds, Series QRR (2022) (Dedicated Unlimited *Ad Valorem* Property Tax Bonds) (Sustainability Bonds)

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