

**SUPPLEMENT TO
OFFICIAL STATEMENT DATED MARCH 1, 2016**

relating to

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

\$648,955,000
General Obligation Bonds, Election of 2008, Series A (2016)
(Dedicated Unlimited *Ad Valorem* Property Tax Bonds)

\$577,400,000
2016 General Obligation Refunding Bonds, Series A
(Dedicated Unlimited *Ad Valorem* Property Tax Bonds)

This Supplement, dated March 16, 2016 (the “Supplement”), to the Official Statement, dated March 1, 2016, as amended on March 10, 2016 (the “Official Statement”), for the above-referenced bonds is to be read in conjunction with the Official Statement and constitutes an integral part of the Official Statement.

The Official Statement is supplemented to replace the table on the inside cover page of the Official Statement relating to the Refunding Bonds (as defined in the Official Statement) with the following table (changes in bold italics):

\$577,400,000
LOS ANGELES UNIFIED SCHOOL DISTRICT
(County of Los Angeles, California)
2016 General Obligation Refunding Bonds, Series A
(Dedicated Unlimited *Ad Valorem* Property Tax Bonds)

Base CUSIP Number: 544646

Maturity (July 1)	Principal Amount	Interest Rate	Initial Public Offering Yield	Price	CUSIP Suffix¹
2016	\$9,220,000	5.00%	0.18%	101.150%	4A7
2017	39,575,000	5.00	0.40	105.678	4B5
2018	23,975,000	5.00	0.69	109.558	4C3
2019	101,220,000	5.00	0.85	113.229	4D1
2020	95,945,000	5.00	1.00	116.559	4E9
2020	40,000,000	3.00	1.00	108.279	4R0
2021	29,235,000	5.00	1.14	119.574	4F6
2022	30,410,000	5.00	1.34	121.833	4G4
2023	39,635,000	5.00	1.55	123.535	4H2
2024	41,755,000	5.00	1.73	125.006	4J8
2025	43,825,000	5.00	1.87	126.441	4K5
2026	26,750,000	5.00	2.00	125.189 ^C	4L3
2027	7,770,000	5.00	2.11	124.140 ^C	4M1
2028	8,965,000	5.00	2.21	123.196 ^C	4N9
2029	29,350,000	5.00	2.28	122.540 ^C	4P4
2030	9,770,000	5.00	2.35	121.889 ^C	4Q2

The date of this Supplement is March 16, 2016.

LOS ANGELES UNIFIED SCHOOL DISTRICT

By: /s/ Megan K. Reilly
Chief Financial Officer

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^C Priced to call at par on July 1, 2025.

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 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 Bonds is not treated as a preference item in calculating the alternative minimum tax imposed on individuals and corporations under the Code; such interest, however, is included in the adjusted current earnings of certain corporations for purposes of calculating the alternative minimum tax imposed on such corporations. In addition, in the opinion of Bond Counsel to the District, under existing statutes, interest on the Bonds is exempt from personal income taxes imposed by the State of California. See “TAX MATTERS” herein.

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



\$648,955,000

**General Obligation Bonds,
Election of 2008, Series A (2016)
(Dedicated Unlimited Ad Valorem
Property Tax Bonds)**

\$577,400,000

**2016 General Obligation Refunding Bonds,
Series A
(Dedicated Unlimited Ad Valorem
Property Tax Bonds)**

Dated: Date of Delivery

Due: As shown on inside cover

The Los Angeles Unified School District (County of Los Angeles, California) General Obligation Bonds, Election of 2008, Series A (2016) (Dedicated Unlimited Ad Valorem Property Tax Bonds) (the “Series 2016A 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 school facilities projects, as more fully described herein. See “PLAN OF FINANCE AND REFUNDING” herein. The Series 2016A Bonds are being issued under the laws of the State of California (the “State”), the applicable authorization received at an election 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 Los Angeles Unified School District (County of Los Angeles, California) 2016 General Obligation Refunding Bonds, Series A (Dedicated Unlimited Ad Valorem Property Tax Bonds) (the “Refunding Bonds”) are being issued by the District to refund and defease a portion of the Prior Bonds (defined herein), as more fully described herein. See “PLAN OF FINANCE AND REFUNDING” herein. The Refunding Bonds are being issued under the laws of the State, the applicable authorizations received at elections held by the District as described herein, and pursuant to a resolution of the Board of Education, as amended. The Series 2016A Bonds and the Refunding Bonds are, collectively, referred to herein as the “Bonds.”

The Bonds are general obligation bonds of the District secured by and payable from *ad valorem* 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” herein.

Interest on the Bonds is payable on each January 1 and July 1 to maturity, commencing July 1, 2016.

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 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” attached hereto.

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

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

The Bonds will be offered when, as and if issued by the County and the District, as applicable, and received by the Underwriters, subject to the approval as to their legality by Hawkins Delafield & Wood LLP, Los Angeles, California, Bond Counsel to the District, and certain other conditions. Certain legal matters will be passed upon for the District by the General Counsel to the District and by its Disclosure Counsel, Orrick, Herrington & Sutcliffe LLP, Los Angeles, California, and for the Underwriters by Chapman and Cutler LLP, San Francisco, California. Public Resources Advisory Group is serving as Financial Advisor to the District in connection with the issuance of the Bonds. The Bonds, in book-entry form, will be available for delivery through the facilities of DTC on or about April 5, 2016.

Citigroup

Wells Fargo Securities

J.P. Morgan

Alamo Capital

Fidelity Capital Markets

Hutchinson, Shockey, Erley & Co.

Loop Capital Markets

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

\$648,955,000

LOS ANGELES UNIFIED SCHOOL DISTRICT

(County of Los Angeles, California)

General Obligation Bonds,

Election of 2008, Series A (2016)

(Dedicated Unlimited *Ad Valorem* Property Tax Bonds)

Base CUSIP Number: 544646

Maturity (July 1)	Principal Amount	Interest Rate	Initial Public Offering Yield	Price	CUSIP Suffix¹
2017	\$15,445,000	5.00%	0.40%	105.678%	3C4
2018	16,215,000	5.00	0.69	109.558	3D2
2019	17,025,000	5.00	0.85	113.229	3E0
2020	17,875,000	3.00	1.00	108.279	3F7
2021	18,415,000	4.00	1.14	114.503	3G5
2022	19,150,000	4.00	1.34	115.868	3H3
2023	19,915,000	4.00	1.55	116.713	3J9
2024	20,715,000	5.00	1.33	118.510 [†]	3K6
2025	21,750,000	5.00	1.42	118.010 [†]	3L4
2026	22,835,000	5.00	1.48	117.678 [†]	3M2
2027	23,980,000	5.00	2.11	124.140 ^C	3N0
2028	25,175,000	5.00	1.64	116.799 [†]	3P5
2029	26,435,000	5.00	1.71	116.416 [†]	3Q3
2030	27,755,000	5.00	1.77	116.090 [†]	3R1
2031	29,145,000	5.00	1.86	115.602 [†]	3S9
2032	30,600,000	5.00	1.95	115.116 [†]	3T7
2033	32,130,000	4.00	2.93	108.602 ^C	3U4
2034	33,420,000	4.00	2.98	108.181 ^C	3V2
2035	34,755,000	4.00	3.03	107.762 ^C	3W0
2036	36,145,000	3.50	3.23	102.138 ^C	3X8

\$85,075,000 5.00% Term Bonds due July 1, 2040; Yield 2.90%; Price: 116.908^C; CUSIP Suffix¹ 3Y6

\$75,000,000 4.00% Term Bonds due July 1, 2040; Yield 3.25%; Price: 105.940^C; CUSIP Suffix¹ 3Z3

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[†] Priced to call at par on July 1, 2021.

^C Priced to call at par on July 1, 2025.

\$577,400,000
LOS ANGELES UNIFIED SCHOOL DISTRICT
(County of Los Angeles, California)
2016 General Obligation Refunding Bonds, Series A
(Dedicated Unlimited *Ad Valorem* Property Tax Bonds)

Base CUSIP Number: 544646

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2018	23,975,000	5.00	0.69	109.558	4C3
2019	101,220,000	5.00	0.85	113.229	4D1
2020	95,945,000	5.00	1.00	116.559	4R0
2020	40,000,000	3.00	1.00	108.279	4E9
2021	29,235,000	5.00	1.14	119.574	4F6
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2025	43,825,000	5.00	1.87	126.441	4K5
2026	26,750,000	5.00	2.00	125.189 ^C	4L3
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2029	29,350,000	5.00	2.28	122.540 ^C	4P4
2030	9,770,000	5.00	2.35	121.889 ^C	4Q2

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^C Priced to call at par on July 1, 2025.

[illegible]

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

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

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

IN CONNECTION WITH THE OFFERING OF THE BONDS THE UNDERWRITERS MAY OVERALLOT OR EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICE OF THE BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME. THE UNDERWRITERS MAY OFFER AND SELL THE BONDS TO CERTAIN DEALERS AND BANKS AT YIELDS HIGHER THAN THE INITIAL PUBLIC OFFERING YIELDS STATED ON THE INSIDE FRONT COVER PAGE HEREOF AND SAID INITIAL PUBLIC OFFERING YIELDS MAY BE CHANGED FROM TIME TO TIME BY THE UNDERWRITERS.

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

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

DISTRICT OFFICIALS

Michelle King, Superintendent
David Holmquist, General Counsel
Megan K. Reilly, Chief Financial Officer
John Walsh, Deputy Chief Financial Officer
V. Luis Buendia, Controller
Timothy S. Rosnick, Deputy Controller

BOND COUNSEL

Hawkins Delafield & Wood LLP
Los Angeles, California

DISCLOSURE COUNSEL

Orrick, Herrington & Sutcliffe LLP
Los Angeles, California

FINANCIAL ADVISOR

Public Resources Advisory Group
Los Angeles, California

PAYING AGENT

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

ESCROW AGENT

U.S. Bank National Association
Los Angeles, California

VERIFICATION AGENT

Grant Thornton LLP
Minneapolis, Minnesota

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\$648,955,000
LOS ANGELES UNIFIED SCHOOL DISTRICT
(County of Los Angeles, California)
General Obligation Bonds, Election of 2008, Series A (2016)
(Dedicated Unlimited *Ad Valorem*
Property Tax Bonds)

\$577,400,000
LOS ANGELES UNIFIED SCHOOL DISTRICT
(County of Los Angeles, California)
2016 General Obligation Refunding Bonds, Series A
(Dedicated Unlimited *Ad Valorem*
Property Tax Bonds)

INTRODUCTION

This Introduction is only a brief description of, and is qualified by, more complete and detailed information contained in the entire Official Statement, including the cover page through the appendices hereto, and the documents summarized or described herein. The offering of the 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 (i) \$648,955,000 aggregate principal amount of Los Angeles Unified School District (County of Los Angeles, California) General Obligation Bonds, Election of 2008, Series A (2016) (Dedicated Unlimited *Ad Valorem* Property Tax Bonds) (the “Series 2016A Bonds”), and (ii) \$577,400,000 aggregate principal amount of Los Angeles Unified School District (County of Los Angeles, California) 2016 General Obligation Refunding Bonds, Series A (Dedicated Unlimited *Ad Valorem* Property Tax Bonds) (the “Refunding Bonds”) to be offered by the Los Angeles Unified School District (the “District”). The Series 2016A Bonds and the Refunding Bonds are, collectively, referred to herein as the “Bonds.”

The Series 2016A 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 November 10, 2015 (the “District Resolution”), and a resolution adopted by the Board of Supervisors of the County on February 9, 2016 (the “County Resolution” and, together with the District Resolution, the “New Money Resolutions”). The Series 2016A Bonds are being issued to finance school facilities projects, including funding capitalized interest, as more fully described herein. The Refunding Bonds are issued by the District pursuant to certain provisions of the California Government Code and other applicable law, the applicable authorizations received at elections held by the District as described herein, and a resolution adopted by the District Board on April 14, 2015, as amended on November 10, 2015 (as amended, the “Refunding Resolution” and, together with the New Money Resolutions, the “Resolutions”). See “INTRODUCTION – Authority and Purpose for Issuance of the Bonds.” The Refunding Bonds are being issued to refund and defease a portion of the Prior Bonds (defined herein). A portion of the proceeds of the Bonds will be used to pay the costs of issuance incurred in connection with the issuance of the Bonds. See “ESTIMATED SOURCES AND USES OF FUNDS” and “PLAN OF FINANCE AND REFUNDING.”

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 OR OF THE GENERAL FUND OF THE DISTRICT. SEE “SECURITY AND SOURCE OF PAYMENT FOR THE BONDS.”

Changes from the Preliminary Official Statement

On March 8, 2016, the District Board received the District’s Second Interim Report for Fiscal Year 2015-16 (the “Fiscal Year 2015-16 Second Interim Report”) and a fiscal stabilization plan in connection therewith (the “March 2016 Fiscal Stabilization Plan”). The Fiscal Year 2015-16 Second Interim Report was submitted to the Los Angeles County Office of Education prior to the March 15, 2016 deadline therefor. The District submitted its Fiscal Year 2015-16 Second Interim Report with a self-certified qualified certification of its financial condition. Accordingly, this final Official Statement includes, in addition to pricing information relating to the Bonds, certain updates to the financial information and projections relating to Fiscal Years 2015-16, 2016-17 and 2017-18 set forth in the Preliminary Official Statement dated February 21, 2016. In addition, this final Official Statement includes information relating to the March 2016 Fiscal Stabilization Plan, a scheduled contribution to the OPEB Trust Fund (as defined in Appendix A), and Reduction in Force Notices (as defined in Appendix A) which were approved by the District Board in March 2016. See Appendix A – “DISTRICT FINANCIAL INFORMATION AND REGIONAL ECONOMIC AND DEMOGRAPHIC INFORMATION.” In addition, this final Official Statement includes updates to the County’s Treasury Pool (as defined in Appendix F). See Appendix F – “THE LOS ANGELES COUNTY TREASURY POOL.”

The District

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

The District is the second largest public school district in the United States and is the largest public school district in the State. The District, including the fiscally independent charter schools within the District’s boundaries, has a projected Fiscal Year 2015-16 enrollment of 636,911 students. As of June 30, 2015, the District operated 455 elementary schools, 84 middle/junior high schools, 96 senior high schools, 55 options schools, 20 multi-level schools, 15 special education schools, 39 magnet schools and 152 magnet centers, 6 community adult schools, 3 regional occupational centers, 1 skills centers, 1 regional occupational program

center, 86 early education centers, 4 infant centers, and 18 primary school centers. In addition, as of June 30, 2015, there were 53 affiliated charter schools operated by the District and 211 fiscally independent charter schools within the District's boundaries.

Additional information on the District is set forth in Appendices A and B hereto. See Appendix A – "DISTRICT FINANCIAL INFORMATION AND REGIONAL ECONOMIC AND DEMOGRAPHIC INFORMATION" and Appendix B – "COMPREHENSIVE ANNUAL FINANCIAL REPORT OF THE DISTRICT FOR THE FISCAL YEAR ENDED JUNE 30, 2015."

The District's General Obligation Bond Program

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

TABLE 1
LOS ANGELES UNIFIED SCHOOL DISTRICT
General Obligation Bond Authorizations

<u>Bond Authorization</u>	<u>Date Authorized by Voters</u>	<u>Percentage Approval⁽¹⁾</u>	<u>Amount Authorized (\$ Billions)</u>	<u>Amount Issued⁽²⁾⁽³⁾ (\$ Billions)</u>	<u>Amount Unissued⁽²⁾ (\$ Billions)</u>	<u>Purposes</u>
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	64	3.350	3.350	0.000	New construction, acquisition, rehabilitation and upgrading of specifically identified school facilities
Measure R	March 2, 2004	63	3.870	3.710	0.160	New construction, acquisition, rehabilitation and upgrading of specifically identified school facilities, and installation and upgrading of information-technology infrastructure
Measure Y	November 8, 2005	66	3.985	3.603	0.382	New construction, acquisition, rehabilitation and upgrading of specifically identified school facilities, and installation and upgrading of information-technology infrastructure
Measure Q	November 4, 2008	69	<u>7.000</u>	<u>0.649</u>	<u>6.351</u>	New construction, acquisition, rehabilitation and upgrading of specifically identified school facilities, and installation and upgrading of information-technology infrastructure
Total			<u>\$20.605</u>	<u>\$13.712</u>	<u>\$6.893</u>	

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

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

⁽³⁾ Subsequent to the issuance of the Bonds, a total of \$13,711,815,000 of the approved general obligation bonds has been issued with \$6,893,185,000 remaining to be issued under the Authorizations.

Source: Los Angeles Unified School District.

In addition to the bond proceeds from the five Authorizations referred to above, the District has received and expects to receive State-matching funds and other revenue sources to fund the general obligation bond program's various projects. The District's general obligation bond program has completed approximately 600 new construction projects providing more than 170,000 new seats. As a result, all but one school now operates on a traditional two-semester calendar. In addition, approximately 19,600 repair and school modernization projects, which are intended to upgrade facilities and improve the learning environment for students, have been completed. The program includes, among other things, computer technology projects and green projects.

Authority and Purpose for Issuance of the Bonds

The Series 2016A Bonds are issued pursuant to provisions of Section 1(b)(3) of Article XIII A of the State Constitution, Chapters 1 and 1.5 of Part 10 of Division 1 of Title 1 of the California Education Code and other applicable law, the Measure Q Authorization (defined below) and the New Money Resolutions. The proceeds of the Series 2016A Bonds will, after payment of costs of issuance therefor, 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 Series 2016A Bonds is expected to fund capitalized interest on the Series 2016A Bonds through July 1, 2019. See "PLAN OF FINANCE AND REFUNDING" and "ESTIMATED SOURCES AND USES OF FUNDS."

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

Security and Source of Payment for the Bonds

The Bonds are payable from *ad valorem* 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 applicable Interest and Sinking Fund of the District which is held by the County and may only be applied to pay the principal of, and redemption premium, if any, and interest on the District's general obligation bonds, including each series of the Bonds. The District does not receive such funds, nor are they available to pay any of the District's operating expenses.

Pursuant to Section 53515 of the California Government Code (which became effective on January 1, 2016, as part of Senate Bill 222), all general obligation bonds issued by local agencies, including refunding bonds (including the Refunding Bonds), will be secured by a statutory lien on all revenues received pursuant to the levy and collection of the tax. California Education Code Section 15251 provides for a similar lien for bonds issued and sold by school

districts (including the Series 2016A 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.

In addition, pursuant to the District Resolution and the Refunding 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 applicable series of Bonds and all previously issued and outstanding general obligation bonds and general obligation refunding bonds of the District. Such resolutions provide 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 resolutions provide 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 applicable series of 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 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 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 AND REFUNDING

Plan of Finance

A portion of the proceeds of the Series 2016A Bonds 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, which was summarized to the District's voters as follows: "To improve student health, safety and educational quality, shall the Los Angeles Unified School District: continue repair/upgrade of aging/deteriorating classrooms, restrooms; upgrade fire/earthquake safety; reduce asbestos, lead paint, air pollution, water quality hazards; build/upgrade specialized classrooms students need to meet job/college requirements; improve classroom Internet access by issuing \$7 billion in bonds, at legal interest rates; with guaranteed annual audits, citizens' oversight, no increase in maximum tax rate?" The Measure Q Authorization includes a number of specifically identified school facilities, refinancing and other projects that can be funded with the proceeds of the Series 2016A Bonds, including, among other things: (i) the repair of aging and deteriorating classrooms and school buildings; (ii) increases to the capacity of school cafeterias and installation of equipment to make nutritious, healthy meals available to more students; (iii) upgrading deficient school buildings and providing needed buildings; (iv) the replacement of pipes and plumbing systems in schools to remove lead and improve water quality; (v) the installation and repair of fire safety equipment to meet State standards; (vi) renovations and replacement of school buildings to meet current earthquake safety standards; (vii) providing improvements to satisfy the Americans with Disabilities Act; (viii) improving air quality at schools by installing and upgrading filtration systems; (ix) replacement of the District's police emergency radio system; (x) providing security cameras at schools to ensure safety; (xi) the continuation of the District's asbestos hazard removal program; (xii) dedicating funds for future repair and safety priorities; (xiii) providing specialized classrooms (e.g. science labs) for courses which are necessary to college admission; (xiv) increasing internet capacity and availability at schools in order to access instructional technology; (xv) providing campus-wide renovations, upgrades and creation of small personalized learning environments including magnet schools; (xvi) providing back-up capacity to protect critical instructional, safety and business services from interruption; (xvii) modernization of classrooms to enable new instructional models and virtual learning communities; (xviii) dedicating funds for future modernization, repair and technology priorities; (xix) building new, small classrooms and reconfiguring existing classroom space for operation by the District, magnet schools, partners or affiliated charter schools; (xx) providing charter schools with reasonably equivalent new and existing school facilities; (xxi) creating career technology centers to provide career readiness skills; (xxii) building new centers and repair aging early childhood education centers to promote learning for youngest students; (xxiii) providing and upgrading adult and career education facilities; (xxiv) upgrading and reconfiguring special education centers; (xxv) leveraging partnerships to provide after school activities, programming and community use of facilities; (xxvi) installing renewable energy systems; (xxvii) replacing aging and polluting school buses; (xxviii) improving energy and water conservation at schools; and (xxix) dedicating funds for future green technology priorities.

Plan of Refunding

A portion of the proceeds of the Refunding Bonds will be applied to refund, on a current basis, and defease a portion of the District's outstanding general obligation bonds. These bonds may include the bonds identified below and other outstanding general obligation bonds determined on the date of sale of the Refunding Bonds (collectively, the "Prior Bonds").

A portion of the proceeds from the Refunding Bonds will be deposited into an escrow fund (the "Escrow Fund") established with respect to the Prior Bonds under an escrow agreement dated as of April 1, 2016 by and between the District and U.S. Bank National Association, as escrow bank. The proceeds of the Refunding Bonds deposited into the Escrow Fund will be invested in Treasury Securities – State and Local Government Series in an amount, together with any uninvested amounts, which will be sufficient to fully pay the redemption price of 100% of the principal amount of the Prior Bonds plus accrued interest thereon, on July 1, 2016, the redemption date therefor (the "Redemption Date"). The mathematical computations used to determine the sufficiency of the escrow deposit will be verified by the Verification Agent (defined herein). See "MISCELLANEOUS – Verification of Mathematical Computations."

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

**Los Angeles Unified School District
(County of Los Angeles, California)
2006 General Obligation Refunding Bonds, Series B⁽¹⁾
(Measure BB and Measure K)**

<u>Maturity Date</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Redemption Date</u>	<u>Redemption Price</u>	<u>CUSIP (544646)</u>
July 1, 2017	\$36,420,000	5.000%	July 1, 2016	100%	BA9
July 1, 2018	1,295,000	5.000	July 1, 2016	100	BB7
July 1, 2019	106,520,000	4.750	July 1, 2016	100	BC5
July 1, 2020	28,645,000	5.000	July 1, 2016	100	BE1
July 1, 2020	62,915,000	5.000	July 1, 2016	100	BF8
July 1, 2020	50,000,000	4.750	July 1, 2016	100	BD3
July 1, 2021	24,975,000	4.750	July 1, 2016	100	BG6
July 1, 2022	26,195,000	5.000	July 1, 2016	100	BH4
July 1, 2023	35,355,000	5.000	July 1, 2016	100	BJ0
July 1, 2024	37,175,000	4.750	July 1, 2016	100	BK7
July 1, 2025	38,990,000	4.750	July 1, 2016	100	BL5
July 1, 2026	20,250,000	4.750	July 1, 2016	100	BM3
January 1, 2027	20,145,000	4.750	July 1, 2016	100	BN1

⁽¹⁾ The District's 2006 General Obligation Refunding Bonds, Series B, refunded the District's Election of 1997, Series E (2002), maturing on July 1 in the years 2020, 2021, 2022 and 2027 and the District's Election of 2002, Series A (2003), maturing on July 1 in the years 2016, 2017, 2019, 2019 and 2020.

**Los Angeles Unified School District
(County of Los Angeles, California)
General Obligation Bonds, Election of 2004, Series F (2006)
(Measure R)**

<u>Maturity Date</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Redemption Date</u>	<u>Redemption Price</u>	<u>CUSIP (544644)</u>
July 1, 2017	\$1,950,000	4.000%	July 1, 2016	100%	T31
July 1, 2017	4,060,000	5.000	July 1, 2016	100	T49
July 1, 2018	1,860,000	4.000	July 1, 2016	100	T56
July 1, 2018	14,760,000	5.000	July 1, 2016	100	T64
July 1, 2019	250,000	4.000	July 1, 2016	100	T72
July 1, 2020	1,230,000	4.100	July 1, 2016	100	T98
July 1, 2021	5,350,000	4.750	July 1, 2016	100	U39
July 1, 2027	10,755,000	4.750	July 1, 2016	100	U96

**Los Angeles Unified School District
(County of Los Angeles, California)
General Obligation Bonds, Election of 2004, Series G (2006)
(Measure R)**

<u>Maturity Date</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Redemption Date</u>	<u>Redemption Price</u>	<u>CUSIP (544644)</u>
July 1, 2017	\$550,000	4.100%	July 1, 2016	100%	6U6
July 1, 2029	23,635,000	4.750	July 1, 2016	100	7K7
July 1, 2031	125,000	4.500	July 1, 2016	100	7M3

**Los Angeles Unified School District
(County of Los Angeles, California)
General Obligation Bonds, Election of 2005, Series A (2006)
(Measure Y)**

<u>Maturity Date</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Redemption Date</u>	<u>Redemption Price</u>	<u>CUSIP (544644)</u>
July 1, 2017	\$850,000	4.000%	July 1, 2016	100%	W60
July 1, 2018	885,000	4.000	July 1, 2016	100	W78
July 1, 2019	915,000	4.000	July 1, 2016	100	W86
July 1, 2020	950,000	4.000	July 1, 2016	100	W94
July 1, 2021	985,000	4.000	July 1, 2016	100	X28
July 1, 2022	1,025,000	4.100	July 1, 2016	100	X36

**Los Angeles Unified School District
(County of Los Angeles, California)
General Obligation Bonds, Election of 2005, Series B (2006)
(Measure Y)**

<u>Maturity Date</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Redemption Date</u>	<u>Redemption Price</u>	<u>CUSIP (544644)</u>
July 1, 2017	\$1,075,000	4.000%	July 1, 2016	100%	Y68
July 1, 2018	1,115,000	4.000	July 1, 2016	100	Y76
July 1, 2019	1,165,000	4.000	July 1, 2016	100	Y84
July 1, 2020	1,210,000	4.000	July 1, 2016	100	Y92
July 1, 2021	1,255,000	4.100	July 1, 2016	100	Z26
July 1, 2022	1,305,000	4.125	July 1, 2016	100	Z34
July 1, 2023	1,360,000	4.200	July 1, 2016	100	Z42
July 1, 2024	1,415,000	4.250	July 1, 2016	100	Z59
July 1, 2025	990,000	4.300	July 1, 2016	100	Z67
July 1, 2026	1,035,000	4.300	July 1, 2016	100	Z75
July 1, 2027	1,075,000	4.300	July 1, 2016	100	Z83
July 1, 2028	1,125,000	4.400	July 1, 2016	100	Z91

**Los Angeles Unified School District
(County of Los Angeles, California)
General Obligation Bonds, Election of 2005, Series C (2006)
(Measure Y)**

<u>Maturity Date</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Redemption Date</u>	<u>Redemption Price</u>	<u>CUSIP (544644)</u>
July 1, 2017	\$6,925,000	5.000%	July 1, 2016	100%	2K2
July 1, 2018	7,275,000	5.000	July 1, 2016	100	2L0
July 1, 2019	4,280,000	5.000	July 1, 2016	100	2M8
July 1, 2020	3,675,000	5.000	July 1, 2016	100	2N6
July 1, 2022	5,580,000	5.000	July 1, 2016	100	2Q9
July 1, 2023	6,685,000	5.000	July 1, 2016	100	2R7
July 1, 2024	7,100,000	5.000	July 1, 2016	100	2S5
July 1, 2025	7,880,000	5.000	July 1, 2016	100	2T3
July 1, 2027	7,270,000	5.000	July 1, 2016	100	2V8
July 1, 2028	9,380,000	5.000	July 1, 2016	100	2W6
July 1, 2029	10,710,000	5.000	July 1, 2016	100	2X4
July 1, 2030	11,265,000	5.000	July 1, 2016	100	2Y2

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

	Series 2016A Bonds	Refunding Bonds	Total
Estimated Sources of Funds			
Principal Amount	\$648,955,000.00	\$577,400,000.00	\$1,226,355,000.00
Original Issue Premium	82,788,866.75	100,400,452.55	183,189,319.30
Total Sources	<u>\$731,743,866.75</u>	<u>\$677,800,452.55</u>	<u>\$1,409,544,319.30</u>
Estimated Uses of Funds			
Deposit to Building Fund	\$648,435,864.95	-	\$ 648,435,864.95
Deposit to Interest and Sinking Fund ⁽¹⁾	82,095,279.22	-	82,095,279.22
Deposit to Escrow Fund	-	\$676,721,056.65	676,721,056.65
Underwriters' Discount	693,587.53	597,511.27	1,291,098.80
Costs of Issuance ⁽²⁾	519,135.05	481,884.63	1,001,019.68
Total Uses	<u>\$731,743,866.75</u>	<u>\$677,800,452.55</u>	<u>\$1,409,544,319.30</u>

⁽¹⁾ Expected to fund interest on the Series 2016A Bonds through July 1, 2019.

⁽²⁾ Includes fees of Bond Counsel, Disclosure Counsel, Paying Agent, Escrow Agent, Financial Advisor, rating agencies, printer and verification agent, and other miscellaneous expenses.

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 with respect to the Bonds is payable on January 1 and July 1 of each year, commencing on July 1, 2016 (each, an "Interest Payment Date"). 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 Series 2016A Bonds with stated maturity dates of July 1 of the years 2024 through 2026, inclusive, and 2028 through 2032, inclusive (the “5-year Call Bonds”) 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 July 1, 2021, at a redemption price equal to the principal amount of the 5-year Call Bonds called for redemption, together with interest accrued thereon to the date of redemption, without premium.

The Series 2016A Bonds (excluding the 5-year Call Bonds) maturing on or after July 1, 2027, 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 July 1, 2025, at a redemption price equal to the principal amount of such Series 2016A Bonds called for redemption, together with interest accrued thereon to the date of redemption, without premium.

The Refunding Bonds maturing on or after July 1, 2026, 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 July 1, 2025, at a redemption price equal to the principal amount of the Refunding Bonds called for redemption, together with interest accrued thereon to the date of redemption, without premium.

Mandatory Sinking Fund Redemption. The Series 2016A Bonds maturing on July 1, 2040 accruing interest at a rate of 5.00% per annum (the “5.00% 2040 Term Bonds”) are subject to mandatory sinking fund redemption on July 1 in each of the years and in the respective principal amounts as set forth in the following schedule, at a redemption price equal to 100% of the principal amount thereof to be redeemed, together with interest accrued thereon to the date fixed for redemption, without premium:

Mandatory Sinking Fund Redemption Date (July 1)	Principal Amount to be Redeemed
2037	\$18,660,000
2038	20,340,000
2039	22,110,000
2040 [†]	23,965,000

[†] Maturity.

The principal amount to be redeemed in each year shown above will be reduced proportionately, or as otherwise directed by the District, in integral multiples of \$5,000 principal amount, by any portion of the 5.00% 2040 Term Bonds, optionally redeemed prior to the mandatory sinking fund redemption date.

The Series 2016A Bonds maturing on July 1, 2040 and accruing interest at a rate of 4.00% per annum (the “4.00% 2040 Term Bonds”) are subject to mandatory sinking fund redemption on July 1 in each of the years and in the respective principal amounts as set forth in the following schedule, at a redemption price equal to 100% of the principal amount thereof to be redeemed, together with interest accrued thereon to the date fixed for redemption, without premium:

Mandatory Sinking Fund Redemption Date (July 1)	Principal Amount to be Redeemed
2037	\$18,750,000
2038	18,750,000
2039	18,750,000
2040 [†]	18,750,000

[†] Maturity.

The principal amount to be redeemed in each year shown above will be reduced proportionately, or as otherwise directed by the District, in integral multiples of \$5,000 principal amount, by any portion of the 4.00% 2040 Term Bonds, optionally redeemed prior to the mandatory sinking fund redemption date.

Notice of Redemption. Notice of redemption of any Bonds shall be given by the Paying Agent upon the written request of the District given at least sixty (60) days prior to the date designated for such redemption. Notice of any redemption of Bonds shall be mailed postage prepaid, not less than thirty (30) nor more than sixty (60) days prior to the redemption date by first class mail to the respective Owners thereof at the addresses appearing on the bond registration books and, with respect to the Refunding Bonds, to the County, and as may be further required in accordance with the Continuing Disclosure Certificate.

Each notice of redemption is required to contain the following: (i) the date of such notice; (ii) the name of the Bonds to be redeemed and the date of issue of such Bonds to be redeemed; (iii) the redemption date; (iv) the redemption price; (v) the maturity dates of the Bonds to be redeemed; (vi) (if less than all of the Bonds of any maturity of a series are to be redeemed) the distinctive numbers of the Bonds of each maturity of such series to be redeemed; (vii) (in the case of Bonds of a series 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, with respect to the Refunding Bonds, or a certificate of the Paying Agent or the District, with respect to the Series 2016A Bonds, that notice of call and redemption has been given to Owners as herein provided shall be conclusive as against all parties. When notice of redemption has been given substantially as provided for in

the County Resolution with respect to the Series 2016A Bonds and the Refunding Resolution with respect to the Refunding Bonds, and when the redemption price of the Bonds called for redemption is set aside for such purpose as set forth in the County Resolution with respect to the Series 2016A Bonds or the Refunding Resolution with respect to the Refunding Bonds, the Bonds so designated for redemption will 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 shall 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 look for the payment of such Bonds and the redemption premium thereon, if any, only to the Interest and Sinking Fund or the 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 with respect to the Refunding Bonds or prior to or on the date fixed for redemption with respect to the Series 2016A Bonds by causing written notice of the rescission to be given to the Owners of the Bonds so called for redemption.

Any notice of optional redemption of the Series 2016A Bonds delivered in accordance with the County Resolution may be conditional and if any condition stated in the notice of redemption is not satisfied on or prior to the redemption date, said notice (i) will be of no force and effect, (ii) the District will not be required to redeem such Series 2016A Bonds; (iii) the redemption will not be made and (iv) the Paying Agent is required to within a reasonable time thereafter give notice to the persons and in the manner in which the conditional notice of redemption was given, that such condition or conditions were not met and that the redemption was cancelled. Any optional redemption of the Refunding Bonds and notice thereof will be rescinded if for any reason on the date fixed for redemption moneys are not available in the 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 Refunding Bonds.

Notice of rescission of redemption is required to 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 will 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 Series 2016A Bonds or Refunding Bonds, as applicable, there shall be available, with respect to such Series 2016A Bonds, in the escrow fund held in trust for such purpose as provided by law, or, with respect to such Refunding Bonds, in the interest and sinking fund of the District, or held in trust for such purpose as provided by law, monies for the purpose and sufficient to redeem, at the redemption price provided therefor, the Series 2016A Bonds or Refunding Bonds, as applicable, designated in any notice of redemption. Such monies so set aside in any such escrow fund for the Series 2016A Bonds are required to be applied on or after the redemption date solely for payment of principal of and premium, if any, on the Series 2016A Bonds to be redeemed upon presentation and surrender of such Series 2016A Bonds, provided that all monies in the escrow fund shall be

used for the purposes established and permitted by law. Such monies set aside for the Refunding 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 Refunding Bonds to be redeemed upon presentation and surrender of such Refunding Bonds, provided that all monies in the interest and sinking fund of the District will be used for the purposes established and permitted by law. Any interest due on or prior to the redemption date shall be paid from the applicable Interest and Sinking Fund, unless otherwise provided for to be paid from such escrow or monies held in trust. If, after all of the Series 2016A Bonds or Refunding Bonds, as applicable, 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, those monies are required to be held in or returned or transferred to the 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 Interest and Sinking 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 is otherwise paid to the Owners of any or all outstanding Series 2016A Bonds or Refunding Bonds, as applicable, all of the principal, interest and premium, if any, represented by such Bonds at the times and in the manner provided in the applicable authorizing resolution and in such Bonds, or as provided in the following paragraph, or as otherwise provided by law consistent with the applicable authorizing resolution, then the Owners of the affected Bonds will cease to be entitled to the obligation of the District, and such obligation and all agreements and covenants of the District and of the County to such Owners under the applicable authorizing resolution and Bonds will thereupon be satisfied and discharged and will terminate, except only that the District will remain liable for payment of all principal, interest and premium, if any, represented by the applicable Bonds, but only out of monies on deposit in the escrow fund, Interest and Sinking Fund or otherwise held in trust for such payment; and provided further, however, that the provisions of the County Resolution or the Refunding Resolution, as applicable, with respect to unclaimed moneys will apply in all events. See “THE BONDS – Defeasance and Unclaimed Moneys – Unclaimed Moneys” below.

All or any portion of the outstanding maturities of the Series 2016A Bonds may be defeased prior to maturity in the following ways: (i) by irrevocably depositing with the Paying Agent an amount of cash that, together with amounts then on deposit in the applicable Interest and Sinking Fund, is sufficient to pay all Series 2016A Bonds outstanding and designated for defeasance, including all principal of, premium, if any, and interest; or (ii) by irrevocably depositing with the Paying Agent Defeasance Securities (as defined below), together with cash, if required, in such amount as will, in the opinion of an independent certified public accountant, together with interest to accrue thereon and monies then on deposit in the applicable Interest and Sinking Fund together with the interest to accrue thereon, be fully sufficient to pay and discharge all Series 2016A Bonds outstanding and designated for defeasance (including all principal, prepayment premiums, if any, and interest thereon) at or before their maturity date. The District may pay and discharge any or all of the Refunding Bonds by depositing in trust with the Paying

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

The term “Defeasance Securities” means (i) non-callable direct and general obligations of the United States of America (including state and local government series), or obligations that are unconditionally guaranteed as to principal and interest by the United States of America, including, in the case of direct and general obligations of the United States of America, evidences of direct ownership of proportionate interests in future interest or principal payments of such obligations; provided that investments in such proportionate interests must be limited to circumstances wherein (a) a bank or trust company acts as custodian and holds the underlying United States obligations; (b) the owner of the investment is the real party in interest and has the right to proceed directly and individually against the obligor of the underlying United States obligations; and (c) the underlying United States obligations are held in a special account, segregated from the custodian’s general assets, and are not available to satisfy any claim of the custodian, any person claiming through the custodian, or any person to whom the custodian may be obligated; provided that with respect to the Series 2016A Bonds such obligations are rated in one of the two highest rating categories assigned by any two Rating Agencies (as defined in the County Resolution); (ii) non-callable obligations of government sponsored agencies that are rated in one of the two highest rating categories assigned by, with respect to the Series 2016A Bonds, any two Rating Agencies and, with respect to the Refunding Bonds, 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, 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 (with respect to the Series 2016A Bonds), the Refunding Resolution (with respect to the Refunding Bonds), or by the Paying Agent or an escrow agent in trust, for the payment of the principal of, premium, if any, or interest on the Series 2016A Bonds or Refunding Bonds, as applicable, and remaining unclaimed for one year (for amounts relating to Series 2016A Bonds) or two years (for amounts relating to Refunding Bonds) 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 Interest and Sinking Fund for payment of any outstanding bonds of the District payable from that fund; or, if no such bonds of the District are at such time outstanding, the monies are to 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* 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, and redemption premium, if any, and interest on the District's general obligation bonds, including each series of 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 of the District are expected to be invested at the discretion of the County Treasurer on behalf of the District in such investments as are authorized by Section 53601 and following of the California Government Code and the investment policy of the County, as either may be amended or supplemented from time to time. See Appendix F – "LOS ANGELES COUNTY TREASURY POOL."

Statutory Lien on Taxes (Senate Bill 222)

Pursuant to Section 53515 of the California Government Code (which became effective on January 1, 2016, as part of Senate Bill 222), all general obligation bonds issued by local agencies, including refunding bonds (including the Refunding Bonds), will be secured by a statutory lien on all revenues received pursuant to the levy and collection of the tax. California Education Code Section 15251 provides for a similar lien for bonds issued and sold by school districts (including the Series 2016A 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.

Pledge of Tax Revenues

Pursuant to the District Resolution and the Refunding 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 applicable series of Bonds and all previously issued and outstanding general obligation bonds and general obligation refunding bonds of the District. Such resolutions provide 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 resolutions provide 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 applicable series of 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. The resolutions provide that the pledge is an agreement between the District and the owners of the applicable bonds to provide security for the related series of bonds of the District 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 one or more of the projects specified in the applicable voter-approved measure and not to finance the general purposes of the District.

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

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

Article XIII A effectively prohibits the levying of any other *ad valorem* property tax above the 1% limit except for taxes to support indebtedness approved by the voters as described above.

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

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

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

Increases of assessed valuation resulting from reappraisals of property due to new construction, change in ownership or from the two percent annual adjustment are allocated among the various jurisdictions in the “taxing area” based upon their respective “situation.” Any such allocation made to a local agency continues as part of its allocation in future years. All

taxable property is shown at full assessed value on the tax rolls. Consequently, the one percent tax rate is expressed as \$1 per \$100 of taxable value.

Prospective purchasers of the 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 roll 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 2015-16 Assessment Roll for property within the District's boundaries reflects an increase of approximately 6.99% in assessed value from the prior year. Under State law, in addition to reassessments requested by property owners pursuant to Proposition 8 (1978) when the current market value of property is less than assessed value as of January 1, the county assessor annually initiates reviews of property for reassessments due to decline-in-value. See " - Legislation Implementing Article XIII A."

TABLE 3
LOS ANGELES UNIFIED SCHOOL DISTRICT
Historical Gross Assessed Valuation of Taxable Property⁽¹⁾
Fiscal Years 2006-07 through 2015-16
(\$ in thousands)

<u>Fiscal Year</u>	<u>Secured⁽²⁾</u>	<u>Unsecured</u>	<u>Total⁽²⁾</u>	<u>Change From Prior Year</u>	<u>Percent Change</u>
2006-07	\$382,212,502	\$20,396,335	\$402,608,837	\$38,739,358	10.65%
2007-08	419,052,509	21,861,881	440,914,390	38,305,553	9.51
2008-09	451,191,875	23,597,923	474,789,798	33,875,408	7.68
2009-10	451,127,882	23,849,409	474,977,291	187,493	0.04
2010-11	442,092,473	21,753,078	463,845,551	(11,131,740)	(2.34)
2011-12	447,830,204	21,265,021	469,095,225	5,249,674	1.13
2012-13	458,767,053	21,308,439	480,075,492	10,980,267	2.34
2013-14	482,043,584	21,634,336	503,677,920	23,602,428	4.92
2014-15	510,242,136	22,562,705	532,934,207	29,256,287	5.81
2015-16	546,807,059	23,362,404	570,169,464	37,235,287	6.99

(1) Full cash value.

(2) Includes utility valuations.

Sources: Los Angeles Unified School District Comprehensive Annual Financial Report for Fiscal Year 2014-15 for Fiscal Years 2006-07 through 2014-15 and Los Angeles County Assessor for Fiscal Year 2015-16.

Assessed Valuation by Land Use. The following Table 4 sets forth the assessed valuation by land use of property within the District in Fiscal Year 2015-16.

**TABLE 4
LOS ANGELES UNIFIED SCHOOL DISTRICT
Assessed Valuation and Parcels by Land Use
Fiscal Year 2015-16**

	<u>2015-16 Assessed Valuation⁽¹⁾</u>	<u>% of Total</u>	<u>No. of Parcels</u>	<u>% of Total</u>
Non-Residential:				
Commercial/Office Building	\$93,594,508,925	17.12%	50,062	5.30%
Industrial	56,863,299,570	10.40	24,519	2.60
Recreational	2,265,948,526	0.41	975	0.10
Government/Social/Institutional	3,711,376,490	0.68	5,218	0.55
Miscellaneous	<u>399,722,432</u>	<u>0.07</u>	<u>933</u>	<u>0.10</u>
Subtotal Non-Residential	\$156,834,855,943	28.69%	81,707	8.66%
Residential:				
Single Family Residence	\$233,570,765,712	42.73%	564,707	59.84%
Condominium/Townhouse	50,537,136,284	9.24	131,559	13.94
Mobile Home Related	412,232,704	0.08	320	0.03
2-4 Residential Units	37,195,803,714	6.80	96,272	10.20
5+ Residential Units/Apartments	60,613,196,184	11.09	41,089	4.35
Miscellaneous Residential	<u>42,029,009</u>	<u>0.01</u>	<u>189</u>	<u>0.02</u>
Subtotal Residential	\$382,371,163,607	69.94%	834,136	88.39%
Vacant Parcels	\$7,470,763,086	1.37%	27,900	2.96%
Total	\$546,676,782,636	100.00%	943,743	100.00%

⁽¹⁾ Local Secured Assessed Valuation (which excludes utility property of \$130,276,763), excluding tax-exempt property.

Source: California Municipal Statistics, Inc.

Assessed Valuation of Single-Family Homes. The following Table 5 sets forth the distribution of single-family homes within the District within various assessed valuation ranges in Fiscal Year 2015-16.

TABLE 5
LOS ANGELES UNIFIED SCHOOL DISTRICT
Assessed Valuations of Single Family Homes Per Parcel
Fiscal Year 2015-16

	<u>No. of Parcels</u>	<u>2015-16 Assessed Valuation</u>	<u>Average Assessed Valuation</u>	<u>Median Assessed Valuation</u>
Single-Family Residential	564,707	\$233,570,765,712	\$413,614	\$294,515

<u>2015-16 Assessed Valuation</u>	<u>No. of Parcels⁽¹⁾</u>	<u>% of Total</u>	<u>Cumulative % of Total</u>	<u>Total Valuation</u>	<u>% of Total</u>	<u>Cumulative % of Total</u>
\$0 - \$49,999	3,780	0.669%	0.669%	\$62,498,520	0.027%	0.027%
\$50,000 - \$99,999	49,857	8.829	9.498	3,826,774,035	1.638	1.665
\$100,000 - \$149,999	51,673	9.150	18.649	6,629,439,208	2.838	4.503
\$150,000 - \$199,999	66,467	11.770	30.419	11,851,730,770	5.074	9.578
\$200,000 - \$249,999	76,072	13.471	43.890	21,522,062,024	9.214	18.792
\$250,000 - \$299,999	64,319	11.390	55.280	16,743,136,166	7.168	25.960
\$300,000 - \$349,999	50,934	9.020	64.299	17,078,272,068	7.312	33.272
\$350,000 - \$399,999	37,438	6.630	70.929	14,258,412,052	6.105	39.377
\$400,000 - \$449,999	27,019	4.785	75.713	11,636,542,920	4.982	44.359
\$450,000 - \$499,999	20,338	3.602	79.315	9,910,361,654	4.243	48.602
\$500,000 - \$549,999	18,713	3.314	82.629	10,019,875,850	4.290	52.892
\$550,000 - \$599,999	15,582	2.759	85.388	9,094,044,750	3.893	56.785
\$600,000 - \$649,999	11,173	1.979	87.367	7,126,887,991	3.051	59.836
\$650,000 - \$699,999	9,124	1.616	88.982	6,246,317,772	2.674	62.511
\$700,000 - \$749,999	7,487	1.326	90.308	5,535,827,904	2.370	64.881
\$750,000 - \$799,999	6,389	1.131	91.439	5,018,757,559	2.149	67.029
\$800,000 - \$849,999	5,270	0.933	92.373	4,406,173,220	1.886	68.916
\$850,000 - \$899,999	5,021	0.889	93.262	4,393,982,541	1.881	70.797
\$900,000 - \$949,999	4,264	0.755	94.017	3,959,682,584	1.695	72.492
\$950,000 - \$999,999	3,699	0.655	94.672	3,615,565,356	1.548	74.040
\$1,000,000 and greater	<u>30,088</u>	<u>5.328</u>	100.000	<u>60,634,420,768</u>	<u>25.960</u>	100.000
Total	564,707	100.000%		\$233,570,765,712	100.000%	

⁽¹⁾ Improved single-family residential parcels. Excludes condominiums and parcels with multiple family units such as apartment buildings.

Source: California Municipal Statistics, Inc.

Largest Taxpayers in the District. The following Table 6 sets forth the twenty taxpayers with the greatest combined ownership of taxable property in the District on the Fiscal Year 2015-16 tax roll, and the assessed valuation of all property owned by those taxpayers in all taxing jurisdictions within the District.

TABLE 6
LOS ANGELES UNIFIED SCHOOL DISTRICT
Largest Local Secured Taxpayers⁽¹⁾
Fiscal Year 2015-16

	<u>Property Owner</u>	<u>Primary Land Use</u>	<u>2015-16 Assessed Valuation</u>	<u>% of Total⁽²⁾</u>
1.	Douglas Emmett LLC	Office Building	\$2,625,138,199	0.48%
2.	Universal Studios	Motion Picture Studio	2,197,546,677	0.40
3.	Essex Portfolio LP	Apartments	1,591,893,951	0.29
4.	FSP South Flower Street Associates LLC	Office Building	868,880,162	0.16
5.	Anheuser Busch Inc.	Industrial	793,569,250	0.15
6.	Rochelle H. Sterling	Apartments	712,248,965	0.13
7.	One Hundred Towers LLC	Office Building	620,885,544	0.11
8.	Trizec 333 LA LLC	Office Building	606,847,300	0.11
9.	Tishman Speyer Archstone Smith	Apartments	588,816,361	0.11
10.	Maguire Partners 355 S. Grand LLC	Office Building	567,527,071	0.10
11.	Olympic and Georgia Partners LLC	Hotel/Residences	542,457,522	0.10
12.	Paramount Pictures Corp.	Motion Picture Studio	541,103,214	0.10
13.	LA Live Properties LLC	Commercial	516,145,652	0.09
14.	Hines REIT West LA Portfolio LP	Office Building	513,256,463	0.09
15.	Century City Mall LLC	Shopping Center/Mall	511,255,988	0.09
16.	Palmer Flower Street Properties	Apartments	507,787,516	0.09
17.	Westfield Topanga Owner LP	Apartments	503,053,742	0.09
18.	Maguire Properties 555 W. Fifth	Office Building	498,040,231	0.09
19.	Taubman-Beverly Center	Shopping Center/Mall	489,043,901	0.09
20.	Realco Intermediary LLC	Stadium	479,702,241	0.09
			<u>\$16,275,199,950</u>	<u>2.98%⁽³⁾</u>

⁽¹⁾ Excludes taxpayers with values derived from mineral rights or a possessory interest. Historically, among the top 10 taxpayers within the District are landowners with primary land use of oil and gas production, including Atlantic Richfield Company, Tosco Corporation and Ultramar Inc., which are not reflected in the table above.

⁽²⁾ Percentages are based upon total Fiscal Year 2015-16 Local Secured Assessed Valuation of \$546,676,782,636, based upon a calculation of the total secured assessed valuation less local utility and non-unitary valuations, as reported by California Municipal Statistics, Inc.

⁽³⁾ Total may not equal sum of individual percentages due to rounding.

Source: California Municipal Statistics, Inc.

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

Tax Rates, Levies and Collections

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

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

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

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

Proposition 13 and its implementing legislation impose the function of property tax allocation on counties in the State and prescribe how levies on countywide property values are to be shared with local taxing entities within each county. The limitations in Proposition 13,

however, do not apply to *ad valorem* property taxes or special assessments to pay the interest and redemption charges on indebtedness, like the District's general obligation bonds, approved by the voters.

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

State Government Code Sections 29100 through 29107 provide the procedures that all counties must follow for calculating tax rates. The secured tax levy within the District consists of the District's share of the 1% general *ad valorem* property and unitary taxes assessed on a County-wide basis and amounts levied that are in excess of the 1% general *ad valorem* property taxes. These tax receipts are part of the District's operations. In addition, the secured tax levy also includes the amount for the District's share of special voter-approved *ad valorem* property taxes assessed on a District-wide basis, such as the *ad valorem* property taxes assessed for the District's general obligation bonds issued pursuant to the Authorizations and any related general obligation refunding bonds. *Ad valorem* property taxes levied for general obligation bonds are deposited with the County and may only be applied to pay the principal of, redemption premium, if any, and interest on the District's general obligation bonds and general obligation refunding bonds. 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 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 30.02% of the total fiscal year 2015-16 assessed value of the District.

TABLE 7
LOS ANGELES UNIFIED SCHOOL DISTRICT
Typical Tax Rates per \$100 of Assessed Valuation
Fiscal Years 2011-12 through 2015-16

	2011-12	2012-13	2013-14	2014-15	2015-16
General	1.000000%	1.000000%	1.000000%	1.000000%	1.000000%
Los Angeles Unified School District ⁽¹⁾	0.168187	0.175606	0.146439	0.146881	0.129709
Los Angeles Community College District ⁽¹⁾	0.035296	0.048750	0.044541	0.040174	0.035755
City of Los Angeles ⁽¹⁾	0.038666	0.037694	0.029754	0.028096	0.023030
Metropolitan Water District of Southern California ⁽²⁾	0.003700	0.003500	0.003500	0.003500	0.003500
Total	<u>1.245849%</u>	<u>1.265550%</u>	<u>1.224234%</u>	<u>1.218651%</u>	<u>1.191994%</u>

⁽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 sets forth a recent history of real property tax collections and delinquencies in the District.

TABLE 8
LOS ANGELES UNIFIED SCHOOL DISTRICT
Secured Tax Charges and Delinquencies
Fiscal Years 2010-11 through 2014-15

Fiscal Year	Secured Tax Charge⁽¹⁾	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

Fiscal Year	Secured Tax Charge⁽²⁾	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

⁽¹⁾ 1% General Fund apportionment. Excludes redevelopment agency impounds. Reflects countywide delinquency rate.

⁽²⁾ District's general obligation bond debt service levy only

Source: California Municipal Statistics, Inc.

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

The District is a member of the California Statewide Delinquent Tax Finance Authority (“CSDTFA”). CSDTFA is a joint exercise of powers agency formed for the purpose of purchasing delinquent *ad valorem* property taxes of its members in accordance with Section 6516.6 of the Government Code of the State of California. The District anticipates that CSDTFA will from time to time purchase delinquent *ad valorem* property tax receivables related to the District’s share of the 1% general *ad valorem* property tax levy (not the additional *ad valorem* property tax levy for debt service on the District’s general obligation bonds) from the District. CSDTFA purchased the District’s delinquent *ad valorem* tax receivables related to the 1% general *ad valorem* property tax levy attributable to Fiscal Year 2014-15 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 each series of the Bonds, assuming no early redemptions, is as shown in the following table.

TABLE 9
LOS ANGELES UNIFIED SCHOOL DISTRICT
Annual Debt Schedule

Year Ending July 1,	Series 2016A Bonds		Refunding Bonds		Total Debt Service
	Principal	Interest	Principal	Interest	
2016	-	\$6,980,387.08	\$9,220,000.00	\$6,705,611.12	22,905,998.20
2017	\$15,445,000.00	29,220,225.00	39,575,000.00	27,609,000.00	111,849,225.00
2018	16,215,000.00	28,447,975.00	23,975,000.00	25,630,250.00	94,268,225.00
2019	17,025,000.00	27,637,225.00	101,220,000.00	24,431,500.00	170,313,725.00
2020	17,875,000.00	26,785,975.00	135,945,000.00	19,370,500.00	199,976,475.00
2021	18,415,000.00	26,249,725.00	29,235,000.00	13,373,250.00	87,272,975.00
2022	19,150,000.00	25,513,125.00	30,410,000.00	11,911,500.00	86,984,625.00
2023	19,915,000.00	24,747,125.00	39,635,000.00	10,391,000.00	94,688,125.00
2024	20,715,000.00	23,950,525.00	41,755,000.00	8,409,250.00	94,829,775.00
2025	21,750,000.00	22,914,775.00	43,825,000.00	6,321,500.00	94,811,275.00
2026	22,835,000.00	21,827,275.00	26,750,000.00	4,130,250.00	75,542,525.00
2027	23,980,000.00	20,685,525.00	7,770,000.00	2,792,750.00	55,228,275.00
2028	25,175,000.00	19,486,525.00	8,965,000.00	2,404,250.00	56,030,775.00
2029	26,435,000.00	18,227,775.00	29,350,000.00	1,956,000.00	75,968,775.00
2030	27,755,000.00	16,906,025.00	9,770,000.00	488,500.00	54,919,525.00
2031	29,145,000.00	15,518,275.00	-	-	44,663,275.00
2032	30,600,000.00	14,061,025.00	-	-	44,661,025.00
2033	32,130,000.00	12,531,025.00	-	-	44,661,025.00
2034	33,420,000.00	11,245,825.00	-	-	44,665,825.00
2035	34,755,000.00	9,909,025.00	-	-	44,664,025.00
2036	36,145,000.00	8,518,825.00	-	-	44,663,825.00
2037	37,410,000.00	7,253,750.00	-	-	44,663,750.00
2038	39,090,000.00	5,570,750.00	-	-	44,660,750.00
2039	40,860,000.00	3,803,750.00	-	-	44,663,750.00
2040	42,715,000.00	1,948,250.00	-	-	44,663,250.00
Total	\$648,955,000.00	\$429,940,687.08	\$577,400,000.00	\$165,925,111.12	\$1,822,220,798.20

Source: Los Angeles Unified School District.

Aggregate Fiscal Year Debt Service

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

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

Payment Date	Outstanding General Obligation Bonds ⁽¹⁾	Series 2016A Bonds			Refunding Bonds			Total
		Principal	Interest	Semi Annual Debt Service	Principal	Interest	Semi Annual Debt Service	
July 1, 2016	\$602.10	-	\$6.98	\$6.98	\$9.22	\$6.71	\$15.93	\$625.01
January 1, 2017	288.04	-	14.61	14.61	-	13.80	13.80	316.46
July 1, 2017	567.37	\$15.45	14.61	30.06	39.58	13.80	53.38	650.80
January 1, 2018	267.97	-	14.22	14.22	-	12.82	12.82	295.01
July 1, 2018	620.51	16.22	14.22	30.44	23.98	12.82	36.79	687.74
January 1, 2019	233.86	-	13.82	13.82	-	12.22	12.22	259.89
July 1, 2019	547.55	17.03	13.82	30.84	101.22	12.22	113.44	691.83
January 1, 2020	227.56	-	13.39	13.39	-	9.69	9.69	250.64
July 1, 2020	533.89	17.88	13.39	31.27	135.95	9.69	145.63	710.78
January 1, 2021	219.63	-	13.12	13.12	-	6.69	6.69	239.45
July 1, 2021	658.80	18.42	13.12	31.54	29.24	6.69	35.92	726.26
January 1, 2022	203.06	-	12.76	12.76	-	5.96	5.96	221.77
July 1, 2022	695.76	19.15	12.76	31.91	30.41	5.96	36.37	764.03
January 1, 2023	193.17	-	12.37	12.37	-	5.20	5.20	210.73
July 1, 2023	693.26	19.92	12.37	32.29	39.64	5.20	44.83	770.38
January 1, 2024	182.28	-	11.98	11.98	-	4.20	4.20	198.46
July 1, 2024	705.38	20.72	11.98	32.69	41.76	4.20	45.96	784.03
January 1, 2025	171.15	-	11.46	11.46	-	3.16	3.16	185.77
July 1, 2025	675.97	21.75	11.46	33.21	43.83	3.16	46.99	756.17
January 1, 2026	160.23	-	10.91	10.91	-	2.07	2.07	173.21
July 1, 2026	681.96	22.84	10.91	33.75	26.75	2.07	28.82	744.52
January 1, 2027	167.14	-	10.34	10.34	-	1.40	1.40	178.88
July 1, 2027	647.96	23.98	10.34	34.32	7.77	1.40	9.17	691.44
January 1, 2028	253.42	-	9.74	9.74	-	1.20	1.20	264.36
July 1, 2028	521.81	25.18	9.74	34.92	8.97	1.20	10.17	566.89
January 1, 2029	113.46	-	9.11	9.11	-	0.98	0.98	123.56
July 1, 2029	527.78	26.44	9.11	35.55	29.35	0.98	30.33	593.66
January 1, 2030	99.85	-	8.45	8.45	-	0.24	0.24	108.55
July 1, 2030	576.50	27.76	8.45	36.21	9.77	0.24	10.01	622.72
January 1, 2031	86.36	-	7.76	7.76	-	-	-	94.12
July 1, 2031	616.98	29.15	7.76	36.90	-	-	-	653.88
January 1, 2032	70.97	-	7.03	7.03	-	-	-	78.00
July 1, 2032	643.89	30.60	7.03	37.63	-	-	-	681.52
January 1, 2033	41.88	-	6.27	6.27	-	-	-	48.15
July 1, 2033	635.67	32.13	6.27	38.40	-	-	-	674.06
January 1, 2034	56.46	-	5.62	5.62	-	-	-	62.08
July 1, 2034	694.92	33.42	5.62	39.04	-	-	-	733.96
January 1, 2035	2.09	-	4.95	4.95	-	-	-	7.04
July 1, 2035	0.08	34.76	4.95	39.71	-	-	-	39.79
January 1, 2036	2.11	-	4.26	4.26	-	-	-	6.37
July 1, 2036	-	36.15	4.26	40.40	-	-	-	40.40
January 1, 2037	-	-	3.63	3.63	-	-	-	3.63
July 1, 2037	-	37.41	3.63	41.04	-	-	-	41.04
January 1, 2038	-	-	2.79	2.79	-	-	-	2.79
July 1, 2038	-	39.09	2.79	41.88	-	-	-	41.88
January 1, 2039	-	-	1.90	1.90	-	-	-	1.90
July 1, 2039	-	40.86	1.90	42.76	-	-	-	42.76
January 1, 2040	-	-	0.97	0.97	-	-	-	0.97
July 1, 2040	-	42.72	0.97	43.69	-	-	-	43.69
TOTAL	\$14,888.83	\$648.96	\$429.94	\$1,078.90	\$577.40	\$165.93	\$743.33	\$16,711.05

(1) 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.”

Source: Los Angeles Unified School District.

The District's General Obligation Bond Program and Bonding Capacity

Voters within the District have approved a total of \$20.605 billion of general obligation bonds in five separate bond elections since 1997. See Appendix A – “DISTRICT FINANCIAL INFORMATION AND REGIONAL ECONOMIC AND DEMOGRAPHIC INFORMATION – DISTRICT FINANCIAL INFORMATION – District Debt” attached hereto for additional information regarding the District's outstanding general obligation bonds. Pursuant to Sections 15106 of the Education Code, the District's bonding capacity for general obligation bonds may not exceed 2.5% of taxable property value in the District as shown by the last equalized assessment of the County. The taxable property valuation in the District for Fiscal Year 2015-16 is \$570.17 billion, which results in a total current bonding capacity of approximately \$14.25 billion. Accordingly, the District's available capacity for the issuance of new general obligation bonds will be approximately \$3.80 billion subsequent to the issuance of the Bonds. The issuance of additional series of general obligation bonds, other than general obligation refunding bonds, in future years will depend upon, among other things, the assessed valuation of property within the District's boundaries, as determined by the District's analysis of information from, among other sources, the Office of the County Assessor. See “SECURITY AND SOURCE OF PAYMENT FOR THE BONDS – California Constitutional and Statutory Provisions Relating to *Ad Valorem* Property Taxes.”

Overlapping Debt Obligations

Set forth in Table 11 on the following page is the report prepared by California Municipal Statistics Inc. on January 11, 2016, which provides information with respect to direct and overlapping debt within the District as of January 1, 2016 (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 11 names each public agency which has outstanding debt as of the date of the report and whose territory overlaps the District in whole or in part. Column 2 shows the percentage of each overlapping agency's assessed value located within the boundaries of the District. This percentage, multiplied by the total outstanding debt of each overlapping agency (which is not shown in Table 11) produces the amount shown in column 3, which is the apportionment of each overlapping agency's outstanding debt to taxable property in the District.

TABLE 11
LOS ANGELES UNIFIED SCHOOL DISTRICT
Schedule of Direct and Overlapping Bonded Debt
As of January 1, 2016

2015-16 Assessed Valuation: \$570,169,464,293

<u>DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:</u>	<u>% Applicable⁽¹⁾</u>	<u>Debt 1/1/16</u>
Los Angeles Unified School District	100.000%	\$ 9,892,425,000⁽¹⁾
Los Angeles County Flood Control District	45.235	6,832,747
Metropolitan Water District of Southern California	22.930	25,319,306
Los Angeles Community College District	80.729	2,963,561,590
Pasadena Area Community College District	0.001	884
City of Los Angeles	99.931	789,839,634
Other Cities	Various	23,924,901
Palos Verdes Library District	4.722	58,789
City Community Facilities Districts	100.000	88,305,000
City of Los Angeles Landscaping and Special Tax Assessment Districts	99.931	16,013,943
Other City and Special District 1915 Act Bonds	99.899 - 100.000	20,814,430
Los Angeles County Regional Park & Open Space Assessment District	44.364	22,452,620
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		\$13,849,548,844
 <u>DIRECT AND OVERLAPPING GENERAL FUND DEBT:</u>		
Los Angeles Unified School District Certificates of Participation	100.000%	\$ 273,805,000
Los Angeles County General Fund Obligations	44.364	828,375,126
Los Angeles County Superintendent of Schools Certificates of Participation	44.364	3,524,436
City of Los Angeles General Fund and Judgment Obligations	99.931	1,593,654,203
Other City General Fund and Pension Obligation Bonds	Various	169,393,639
Los Angeles County Sanitation District Nos. 1, 2, 4, 5, 8, 9, 16 & 23 Authorities	Various	23,426,918
TOTAL GROSS DIRECT AND OVERLAPPING GENERAL FUND DEBT		\$2,892,179,322
Less: Los Angeles Unified School District Qualified Zone Academy Bonds:		
Amount accumulated in Sinking Fund for repayment of 2005 QZAB		5,852,571
Los Angeles Unified School District 2007 Certificates of Participation portion economically defeased		7,673,614
City supported obligations		7,534,270
TOTAL NET DIRECT AND OVERLAPPING GENERAL FUND DEBT		\$2,871,118,867
 <u>OVERLAPPING TAX INCREMENT DEBT:</u>		
City of Los Angeles Redevelopment Agency (Successor Agency)	100.000 %	\$505,955,000
Other Redevelopment Agencies (Successor Agency)	Various	419,643,244
TOTAL OVERLAPPING TAX INCREMENT DEBT		\$925,598,244
 GROSS COMBINED TOTAL DEBT		\$17,667,326,410⁽³⁾
NET COMBINED TOTAL DEBT		\$17,646,265,955

(1) Based on 2014-15 ratios.

(2) Excludes the Bonds described in this Official Statement but includes the Prior Bonds.

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

Ratios to 2015-16 Assessed Valuation:

Direct Debt (\$9,892,425,000)	1.73%
Total Overlapping Tax and Assessment Debt	2.43%
Gross Combined Direct Debt (\$10,166,230,000)	1.78%
Net Combined Direct Debt (\$10,152,703,815)	1.78%
Gross Combined Total Debt	3.10%
Net Combined Total Debt	3.09%

Ratios to Redevelopment Incremental Valuation (\$54,751,499,206):

Total Overlapping Tax Increment Debt	1.69%
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Source: California Municipal Statistics, Inc.

TAX MATTERS

Opinion of Bond Counsel. 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 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 Bonds is not treated as a preference item in calculating the alternative minimum tax imposed on individuals and corporations under the Code; such interest, however, is included in the adjusted current earnings of certain corporations for purposes of calculating the alternative minimum tax imposed on such corporations. In rendering 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 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 Bonds from gross income under Section 103 of the Code.

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

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

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

Prospective owners of the 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 Bonds may be taken into account in determining the tax liability of foreign corporations subject to the branch profits tax imposed by Section 884 of the Code.

Bond Premium. In general, if an owner acquires a Bond for a purchase price (excluding accrued interest) or otherwise at a tax basis that reflects a premium over the sum of all amounts on the 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 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 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 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 Bonds under federal or state law or otherwise prevent beneficial owners of the 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 Bonds. For example, the budgets proposed by the Obama Administration from time to time have recommended a 28% limitation on certain itemized deductions, as well as other tax benefits including "tax-exempt interest." The net effect of such a proposal, if enacted into law, would be that an owner of a tax-exempt bond with a marginal tax rate in excess of 28% would pay some amount of federal income tax with respect to the interest on such tax-exempt bond regardless of issue date.

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

LEGAL MATTERS

Possible Limitations on Remedies; Bankruptcy

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

Bankruptcy courts are courts of equity and as such have broad discretionary powers. If the District were to become the debtor in a proceeding under Chapter 9 of the Bankruptcy Code, the parties to the proceedings may be prohibited from taking any action to collect any amount from the District (including *ad valorem* tax revenues) or to enforce any obligation of the District, without the bankruptcy court's permission. In such a proceeding, as part of its plan of adjustment in bankruptcy, the District may be able to alter the priority, interest rate, principal amount, payment terms, collateral, maturity dates, payment sources, covenants (including tax-related

covenants), and other terms or provisions of the 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. Moreover, regardless of any specific adverse determinations in any District bankruptcy proceeding, the fact of a District bankruptcy proceeding could have an adverse effect on the liquidity and market price of the 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 or in such state in the exercise of the political or governmental powers of such municipality, including expenditures for such exercise. For purposes of the language 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 Section 53515 of the California Government Code (which became effective on January 1, 2016, as part of Senate Bill 222), all general obligation bonds issued by local agencies, including refunding bonds (including the Refunding Bonds), will be secured by a statutory lien on all revenues received pursuant to the levy and collection of the tax. California Education Code Section 15251 provides for a similar lien for bonds issued and sold by school districts (including the Series 2016A 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. 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 and payments that become due and owing on the Bonds during the pendency of the Chapter 9 proceeding could be delayed (unless the Bonds are determined to be secured by a pledge of "special revenues" within the meaning of the Bankruptcy Code and the pledged *ad valorem* taxes are applied to pay the Bonds in a manner consistent with the Bankruptcy Code).

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

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

Possession of Tax Revenues; Remedies. If the County or the District goes into bankruptcy and has possession of tax revenues (whether collected before or after commencement of the bankruptcy), and if the County or the District, as applicable, does not voluntarily pay such tax revenues to the owners of the 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.

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

Amounts Held in County Treasury Pool

The County on behalf of the District is expected to be in possession of the annual *ad valorem* property taxes and certain funds to repay the Bonds and may invest these funds in the County’s Treasury Pool, as described in Appendix F – “LOS ANGELES COUNTY TREASURY POOL.” Should those investments suffer any losses, there may be delays or reductions in payments on the 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 2015-16, 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”).

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, attached hereto. Bond Counsel undertakes no responsibility for the accuracy, completeness or fairness of this Official Statement. Certain legal matters will also be passed upon for the District by its General Counsel and by the District’s Disclosure Counsel, Orrick, Herrington & Sutcliffe LLP, Los Angeles, California, and for the Underwriters by their counsel Chapman and Cutler LLP, San Francisco, California.

FINANCIAL STATEMENTS

The District’s Comprehensive Annual Financial Report for Fiscal Year Ended June 30, 2015, including its general purpose financial statements for the Fiscal Year ended June 30, 2015, is attached hereto as Appendix B. The basic financial statements of the District for the Fiscal Year 2014-15 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, Inc. ("KBRA") and Moody's Investors Service, Inc. ("Moody's") have assigned their municipal bond ratings of "AAA," "AA+" and "Aa2," respectively, to the Bonds. 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, 33 Whitehall Street, New York, New York 10004, telephone: (212) 908-0800, Kroll Bond Rating Agency, Inc., 845 Third Avenue, Fourth 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.

Financial Advisor

The District has retained Public Resources Advisory Group, as Financial Advisor (the "Financial Advisor") in connection with the issuance of the Bonds and certain other financial matters. The Financial 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 Financial Advisor has reviewed this Official Statement but makes no guaranty, warranty or other representation respecting accuracy and completeness of the information contained in this Official Statement.

Verification of Mathematical Computations

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

Underwriting

The Bonds are being purchased by Citigroup Global Markets Inc., Wells Fargo Bank, National Association (“WFBNA”), J.P. Morgan Securities LLC (“JPMS”), Alamo Capital, Fidelity Capital Markets, Hutchinson, Shockey, Erley & Co. and Loop Capital Markets LLC. (collectively, the “Underwriters”). The Underwriters have agreed to purchase the Series 2016A Bonds at the purchase price of \$731,050,279.22 (which amount is equal to the aggregate principal amount of the Series 2016A Bonds, plus an original issue premium of \$82,788,866.75 and less an Underwriters’ discount of \$693,587.53) pursuant to a bond purchase agreement relating to the Series 2016 Bonds. The Underwriters have agreed to purchase the Refunding Bonds at the purchase price of \$677,202,941.28 (which amount is equal to the aggregate principal amount of the Refunding Bonds, plus an original issue premium of \$100,400,452.55 and less an Underwriters’ discount of \$597,511.27) pursuant to a bond purchase agreement relating to the Refunding Bonds.

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

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

Citigroup Global Markets Inc., an Underwriter of the Bonds, has entered into a retail distribution agreement (each, a “Citi Distribution Agreement”) with each of TMC Bonds L.L.C. (“TMC”) and UBS Financial Services Inc. (“UBSFS”). Under the Citi Distribution Agreements, Citigroup Global Markets Inc. may distribute municipal securities to retail investors through the financial advisor network of UBSFS and the electronic primary offering platform of TMC. As part of this arrangement, Citigroup Global Markets Inc. may compensate TMC (and TMC may compensate its electronic platform member firms) and UBSFS for their selling efforts with respect to the Bonds.

Wells Fargo Securities is the trade name for certain securities-related capital markets and investment banking services of Wells Fargo & Company and its subsidiaries, including WFBNA.

WFBNA, one of the Underwriters of the Bonds, has entered into an agreement (the “WFBNA Distribution Agreement”) with its affiliate, Wells Fargo Advisors, LLC (“WFA”), for the distribution of certain municipal securities offerings, including the Bonds. Pursuant to the WFBNA Distribution Agreement, WFBNA will share a portion of its underwriting or remarketing agent compensation, as applicable, with respect to the Bonds with WFA. WFBNA also utilizes the distribution capabilities of its affiliate Wells Fargo Securities, LLC (“WFSLLC”), for the distribution of municipal securities offerings, including the Bonds. In connection with utilizing the distribution capabilities of WFSLLC, WFBNA pays a portion of WFSLLC’s expenses based on its municipal securities transactions. WFBNA, WFSLLC, and WFA are each wholly-owned subsidiaries of Wells Fargo & Company.

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

Loop Capital Markets LLC, one of the Underwriters of the Bonds, has entered into a distribution agreement (the “Loop Distribution Agreement”) with Deutsche Bank Securities Inc. (“DBS”) for the retail distribution of certain securities offerings at the original issue prices. Pursuant to the Loop Distribution Agreement (if applicable to this transaction), DBS will purchase Bonds from Loop Capital Markets LLC at the original issue prices less a negotiated portion of the selling concession applicable to any Bonds that such firm sells.

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/ Megan K. Reilly
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 SOURCES OF PAYMENT FOR THE BONDS” in the forepart of this Official Statement. See also “GLOSSARY OF CERTAIN TERMS AND ABBREVIATIONS” herein for a description of certain terms and abbreviations used in this Appendix A.

DISTRICT GENERAL INFORMATION

District Boundaries

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

District Governance; Senior Management

The District is governed by a seven-member Board of Education (the “District Board”) elected by voters within the District to serve alternating five-year terms. The chief executive officer of the District, appointed by the District Board to manage the day-to-day operations of the District, is the Superintendent of Schools (the “Superintendent”). Michelle King currently serves as the Superintendent. In addition to the Superintendent of the District, the District has organized its schools into six geographically-based regions (collectively, the “Regional Districts”). Each Regional District has a separate superintendent to oversee the schools in the related area of the District. The current Regional District Superintendents are Roberto Antonio Martinez (Central), Jose P. Huerta (East), Byron J. Maltez (Northeast), Vivian K. Ekchian (Northwest), Christopher Downing (South) and Cheryl P. Hildreth (West). Brief biographical information for Superintendent King and other senior management of the District is set forth below.

Michelle King, Superintendent. In January 2016, the District Board appointed Michelle King, the Chief Deputy Superintendent for the District, to serve as the successor to former Superintendent Ramon Cortines. In her capacity as Chief Deputy Superintendent, Ms. King supervised and oversaw the Office of the Chief Operating Officer, Human Resources, Student Health and Human Services, Los Angeles School Police Department, Office of the Chief Financial Officer, Personnel Commission, Office of School Operations and Division of Adult Education. Ms. King served as Senior Deputy Superintendent from April 2011 through October 2014, Deputy Superintendent from January 2011 through April 2011, Chief of Staff from July 2010 through December 2010, Superintendent for Local District 3 from February 2008 through June 2010, Chief Instructional Officer from October 2007 through January 2008 and Deputy Chief Instructional Officer. Ms. King began her 31-year career in education with the District as a science and math teacher at Porter Middle School in Granada Hills. She became the coordinator for the math, science and aerospace magnet at Wright Middle School in Westchester, and subsequently served as Assistant Principal and Principal at Hamilton High School in Cheviot Hills. Ms. King graduated from the University of California, Los Angeles with a

Bachelor of Science degree in Biology and from Pepperdine University with a Master of Science degree in Administration. In addition, she holds a California Life Science Secondary Teaching Credential and a California Professional Administrative Services Credential from National University. Ms. King is currently pursuing a Doctorate in Education at the University of Southern California.

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

Megan K. Reilly, Chief Financial Officer. Ms. Reilly began serving as the District's Chief Financial Officer in December 2007. Ms. Reilly served at the Naval Postgraduate School for 12 years, first as the Deputy Comptroller from 1995 to 1997 and then as Executive Director of Business Services and Comptroller from 1997 to 2007. Ms. Reilly has also served as the Comptroller of the Fleet Numerical Meteorology & Oceanography Center, Budget Analyst for the Naval Postgraduate School and Budget Analyst for the Department of the Navy Centralized Financial Management Trainee Program. Ms. Reilly is the Chair of a statewide coalition of school districts, a member of the California School Board Association's Committee on Education Legal Alliance Adequacy Committee, is the Chair of the California Delinquent Tax Finance Authority, and serves on the Board of the Los Angeles Chapter of Women in Public Finance and on the oversight boards of the successor agencies of the redevelopment agencies for the Cities of Los Angeles and West Hollywood. In addition, Ms. Reilly is a member of Government Finance Officers Association's Debt Committee and the Aspen Institute's Education and Society's Chief Financial Officers Committee. Ms. Reilly graduated from Loyola University with a Bachelor of Arts degree, Marion Knott Scholar, *cum laude*, from the Naval Postgraduate School with a Master of Science, Financial Management, and from Monterey College of Law with a Juris Doctorate and is a member of the State Bar of California.

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

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

Pepperdine University. Mr. Buendia is a member of the Government Finance Officers Association and the Association of Public Treasurers of the United States and Canada.

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

School Facilities

The District is the second largest public school district in the United States and is the largest public school district in the State. The District, including the fiscally independent charter schools within the District's boundaries, has a projected Fiscal Year 2015-16 enrollment of 636,911 students. As of June 30, 2015, the District operated 455 elementary schools, 84 middle/junior high schools, 96 senior high schools, 55 options schools, 20 multi-level schools, 15 special education schools, 39 magnet schools and 152 magnet centers, 6 community adult schools, 3 regional occupational centers, 1 skills centers, 1 regional occupational program center, 86 early education centers, 4 infant centers, and 18 primary school centers. In addition, as of June 30, 2015, there were 53 affiliated charter schools operated by the District and 211 fiscally independent charter schools within the District's boundaries. See "State Funding of School Districts – Charter School Funding" herein.

Average Daily Attendance

The District's Fiscal Year 2015-16 Second Interim Report (defined herein) projects that enrollment in the District, excluding the fiscally independent charter schools within the District's boundaries, will decline by 2.65% in Fiscal Year 2015-16 and an additional 2.60% in Fiscal Year 2016-17. The District believes that enrollment declines are due to, among other things, demographic changes such as lower birth rates in the County, migration of students outside of the District's boundaries, and increases in charter school enrollment. As a result of declining enrollment in District schools, the District's funded average daily attendance ("ADA") is expected to decline for Fiscal Years 2015-16 and 2016-17. The following Table A-1 sets forth the District's annual ADA for Fiscal Year 2006-07 through 2014-15 and the projected annual ADA for Fiscal Year 2015-16.

TABLE A-1

LOS ANGELES UNIFIED SCHOOL DISTRICT
Annual Average Daily Attendance
Fiscal Years 2006-07 through 2015-16

Fiscal Year	K-12⁽¹⁾	Affiliated Charter Schools⁽²⁾	Adult Education⁽³⁾	Total
2006-07	614,487	5,936	90,347	710,770
2007-08	599,799	6,482	93,792	700,073
2008-09	588,372	6,655	98,606	693,633
2009-10	570,057	6,906	--	576,963
2010-11	557,584	7,866	--	565,450
2011-12	534,093	13,499	--	547,592
2012-13	505,513	28,832	--	534,345
2013-14	487,929	39,633	--	527,562
2014-15	475,801	39,944	--	515,745
2015-16 ⁽⁴⁾	473,278	39,806	--	513,084

⁽¹⁾ Includes non-public school special education students.

⁽²⁾ Includes charter schools that are fiscally-affiliated with the District which were funded with block grants until Fiscal Year 2012-13. Beginning Fiscal Year 2013-14, such charter schools are funded by the LCFF (defined herein).

⁽³⁾ ADA data with respect to Adult Education was not collected beginning Fiscal Year 2009-10 due to changes in the Education Code which removed the requirement for school districts to operate Adult Education programs or follow program requirements.

⁽⁴⁾ Projected.

Sources: Los Angeles Unified School District Comprehensive Annual Financial Report for Fiscal Year 2014-15 for Fiscal Years 2006-07 through 2014-15 and the Fiscal Year 2015-16 Second Interim Report for Fiscal Year 2015-16.

Independent Financial Review Panel

In March 2015, former Superintendent Ramon Cortines announced the formation of an independent panel with expertise in public finance and education in the State (the “Panel”). The Panel reviewed long-term financial matters and financial priorities based on revenues, staffing and benefits expenditures, business operations expenditures, and programmatic expenditures. In November 2015, the Panel released its report and presented its findings to the District Board. The Panel’s report forecasts, absent corrective actions, increasing expenditures and declining revenues for the District. The Independent Financial Review Panel noted that declines in attendance, among other things, will decrease District revenues and increases in pension and healthcare costs, among other things, will significantly impact the District’s fiscal status by increasing expenditures. As a result of such projected declines in revenues and increases in expenditures, the Independent Financial Review Panel cautioned that the budget deficit could increase to approximately \$450 million in Fiscal Year 2018-19 and \$600 million in Fiscal Year 2019-20 absent any corrective action from the District. The Independent Financial Review Panel recommended that the District address its fiscal status by, among other things, developing a plan to improve attendance by school and by grade, offering an early retirement incentive, committing to making proportional staffing reductions in any year with enrollment declines, negotiating caps on District health care expenditures, managing workers’ compensation costs, and re-evaluating the process by which students are designated in special education programs. See “DISTRICT FINANCIAL INFORMATION - District Budget - First Interim Financial Report for Fiscal Year 2015-16” and “ - Second Interim Financial Report for Fiscal Year 2015-16” herein. The District has formed working groups to analyze and address the recommendations in the Panel’s report.

Events Regarding the District's Common Core Technology Project

In 2012, the District commenced its project to provide personal computing devices, including tablet computers, to students and teachers in connection with the Common Core (the "Common Core Technology Project"). In response to a subpoena in November 2014 from the United States Attorney for the Central District of California, the District provided documents and other information to the Federal Bureau of Investigation (the "FBI") regarding the Common Core Technology Project and the procurement process for acquiring the personal computing devices. In February 2015, the Securities and Exchange Commission ("SEC") requested information regarding the District's \$68,170,000 principal amount General Obligation Bonds, Election of 2004, Series J (2014), the proceeds of which were applied to fund the costs of various components of Measure R Projects (defined herein) including, among other things, the acquisition of personal computing devices. The District provided such information to representatives of the SEC. In June 2015, SEC issued a letter indicating that the investigation has been completed and that it does not recommend any enforcement action.

In December 2014, the District suspended the Common Core Technology Project. In October 2015, the District, Pearson Education, Inc. ("Pearson"), the provider of certain software in connection with the Common Core Technology Project, Apple, Inc. ("Apple"), one of the providers of personal computing devices, and Lenovo ("Lenovo"), one of the providers of personal computing devices, entered into settlement agreements with respect to the Common Core Technology Project. Pursuant to the settlement agreements with Apple, Pearson and Lenovo, the District received \$4.2 million from Pearson, and Pearson will reimburse Lenovo for an account credit that Lenovo provided to the District in the amount of approximately \$2.2 million.

STATE FUNDING OF SCHOOL DISTRICTS

General

School districts in the State receive operating revenues from federal, State and local sources, including appropriations from the State's general fund and local property taxes derived from a school district's share of the 1% *ad valorem* property tax. Accordingly, changes in State revenues can significantly affect appropriations made by the State Legislature to school districts. School districts also currently receive revenues from the State attributable to temporary tax increases implemented by Proposition 30 (defined herein) which are scheduled to expire in 2018. See "California Constitutional and Statutory Provisions relating to *Ad Valorem* Property Taxes, District Revenues and Appropriations – Proposition 30" herein. In addition, the State appropriates funds which are restricted to specific categories of use under various programs such as student transportation, class-size reduction and special education. The amount of categorical funding appropriated to a school district may vary significantly from other school districts and yearly.

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

to, among other things, the estimated amount of State General Fund revenues during the fiscal year and subsequent changes in State law.

Historically, school districts in the State received most of their revenues under a formula known as the “revenue limit.” Beginning Fiscal Year 2013-14, the State replaced the former revenue limit formula for State Aid (defined herein) to school districts with the Local Control Funding Formula (the “LCFF”). Accordingly, under current law, the amount of funds a district receives from State revenues depends on the amount of revenues the State calculates that the school district should receive based on the LCFF less the amount the school district derives from such school district’s share of the 1% *ad valorem* property tax. See and “State Funding of School Districts – Local Control Funding Formula” and “California Constitutional and Statutory Provisions relating to *Ad Valorem* Property Taxes, District Revenues and Appropriations – Constitutionally Required Funding of Education” herein.”

Local Control Funding Formula

General. Funding for school districts, charter schools and county offices of education in connection with the LCFF includes State apportionments for general operating costs (“State Aid”) and funding for categorical programs. During Fiscal Year 2014-15, approximately 73.9% of the District’s General Fund revenues were pursuant to the LCFF. During Fiscal Year 2015-16, the District projects that approximately 75.8% of the District’s General Fund revenues will consist of funds determined under the LCFF. The following Table A-2 sets forth the percentage of the District’s General Fund revenues that are derived from revenues under the revenue limit formula and LCFF, federal revenues, other State revenues and other local revenues for Fiscal Years 2011-12 through 2015-16.

TABLE A-2
LOS ANGELES UNIFIED SCHOOL DISTRICT
General Fund Revenue Sources
Percentage of Total District General Fund Revenues
Fiscal Years 2011-12 through 2015-16⁽¹⁾⁽²⁾

Revenue Source	Fiscal Year 2011-12	Fiscal Year 2012-13	Fiscal Year 2013-14	Fiscal Year 2014-15	Fiscal Year 2015-16⁽³⁾
Revenue Limit Sources/LCFF	50.5%	51.4%	74.3%	73.9%	75.8%
Federal Revenues	14.8	11.1	9.5	10.1	8.7
Other State Revenues	32.4	35.3	14.0	14.1	13.7
Other Local Revenues	2.4	2.2	2.1	2.0	1.9

⁽¹⁾ Beginning Fiscal Year 2013-14, the State replaced the former revenue limit formula for State Aid to school districts with the LCFF.

⁽²⁾ Totals may not equal sum of component parts due to rounding.

⁽³⁾ Estimated.

Sources: Los Angeles Unified School District Comprehensive Annual Financial Reports for Fiscal Years 2011-12 through 2014-15 and Fiscal Year 2015-16 Second Interim Report for Fiscal Year 2015-16.

The LCFF allocates State funding based on a school district’s demographics. Each school district receives a base grant (the “Base Grant”) per ADA in an amount determined by the State. Pursuant to the LCFF, each local education agency (“LEA”) is required to, among other things show progress toward an average class enrollment of no more than 24 pupils in kindergarten through grade 3 unless the LEA has collectively bargained 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 EL or LI students exceeds 55% of a school district’s total enrollment, the LCFF provides additional funding to the school district through a Concentration Grant. The Concentration Grant will be an amount equal to an additional 50% of the school district’s adjusted Base Grant, which includes the cost of living adjustment and grade span adjustments, if any, for each EL or LI student above the 55% threshold.

The Base Grants are based on four uniform, grade-span base rates. For Fiscal Year 2015-16, the LCFF provided to school districts and charter schools: (a) a Target Base Grant for each LEA equivalent to \$7,820 per ADA for kindergarten through grade 3; (b) a Target Base Grant for each LEA equivalent to \$7,189 per ADA for grades 4 through 6; (c) a Target Base Grant for each LEA equivalent to \$7,403 per ADA for grades 7 and 8; (d) a Target Base Grant for each LEA equivalent to \$8,801 per ADA for grades 9 through 12. However, the amount of actual funding allocated to the Base Grant, Supplemental Grants and Concentration Grants will be subject to the discretion of the State.

The projections of the California Department of Finance (the “Department of Finance”) indicate that the LCFF will be fully funded by the Fiscal Year ending June 30, 2021. See “ – Local Control Funding Formula Gap Funding” herein. During the period in which LCFF is phased in, certain LEAs will be eligible for an additional funding amount (the “Economic Recovery Target”). The Economic Recovery Target is expected to ensure that funding to eligible LEAs is restored to the levels allocated by the State in Fiscal Year 2007-08 adjusted for inflation. The District did not receive an allocation towards the Economic Recovery Target in Fiscal Year 2014-15 and does not expect to receive an allocation in Fiscal Year 2015-16. The District estimates that affiliated charter schools will receive approximately \$247,577 towards the Economic Recovery Target in Fiscal Year 2015-16, which is equal to the amount received in Fiscal Year 2014-15.

The District has the largest ADA in the State. See “District General Information – Average Daily Attendance” herein. In addition, the District’s ADA includes a significant number of students classified as Unduplicated Pupils. Accordingly, the District expects to receive more LCFF funding than other school districts in the State. The Fiscal Year 2015-16 Second Interim Report estimates that approximately 83.71% students will be classified as Unduplicated Pupils under the LCFF during Fiscal Year 2015-16. The percentage of students classified as Unduplicated Pupils is based on a three-year rolling average. The District’s calculation of ADA with respect to Unduplicated Pupils, which is used to determine Supplemental and Concentration Grant revenues, is subject to adjustment upon review thereof by the District’s independent auditor.

The following Table A-3 sets forth the total target entitlement and transitional entitlement from the LCFF in Fiscal Year 2014-15 and the estimated transitional entitlement from the LCFF for Fiscal Year

2015-16 subsequent to the application of LCFF Gap Funding (defined herein) for the District and the affiliated charter schools. See “ – LCFF Gap Funding” herein. The target entitlement under the LCFF reflects the amount available once the LCFF is fully funded, which is expected in Fiscal Year 2020-21. Actual funding under the LCFF each fiscal year equals the amount derived from the “hold harmless” provision, which specifies that no district is to receive less State Aid than it received in Fiscal Year 2012-13, plus the LCFF Gap Funding amount.

TABLE A-3
LOS ANGELES UNIFIED SCHOOL DISTRICT
Estimated Local Control Funding Formula⁽¹⁾
Fiscal Years 2014-15 and 2015-16

	District	Affiliated Charter Schools
Fiscal Year 2014-15 Target Entitlement ⁽¹⁾	\$5,488,393,973	\$337,702,181
Fiscal Year 2014-15 Transitional Entitlement	\$4,514,676,492	\$285,603,912
Target Funding less Transitional Entitlement	\$973,717,481	\$52,098,269
Fiscal Year 2014-15 LCFF Gap Funding	30.16%	30.16%
Fiscal Year 2015-16 Estimated Transitional Entitlement	\$4,954,343,698	\$312,976,678

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

Sources: Los Angeles Unified School District Comprehensive Annual Financial Report for Fiscal Year 2014-15 and the Fiscal Year 2015-16 Second Interim Report for Fiscal Year 2015-16.

The following Table A-4 sets forth the District’s revenue limit per ADA for Fiscal Years 2006-07 through 2012-13 under the prior revenue limit funding formula and the Base Grant per ADA for Fiscal Years 2013-14 through 2015-16 under the LCFF. The differences between the amounts per ADA in the two funding formulas are partially attributable to certain categorical programs that were not included in the prior revenue limit formula which are currently included in the Base Grants under LCFF.

TABLE A-4

LOS ANGELES UNIFIED SCHOOL DISTRICT

Base Revenue Limit per Average Daily Attendance

Fiscal Years 2006-07 through 2012-13 and

Base Grant Per Average Daily Attendance

Fiscal Years 2013-14 through 2015-16

<u>Fiscal Year</u>	<u>Revenue Limit</u>		<u>Local Control Funding Formula⁽³⁾</u>			
	<u>K-12</u> <u>Base Revenue Limit⁽¹⁾</u>	<u>Adult</u> <u>Education⁽²⁾</u>	<u>Grades K-3</u>	<u>Grades 4-6</u>	<u>Grades 7-8</u>	<u>Grades 9-12</u>
2006-07	\$5,544.56	\$2,530.66	--	--	--	--
2007-08	5,796.56	2,645.30	--	--	--	--
2008-09	5,645.07	--	--	--	--	--
2009-10	4,962.13	--	--	--	--	--
2010-11	5,264.22	--	--	--	--	--
2011-12	5,209.39	--	--	--	--	--
2012-13	5,266.00	--	--	--	--	--
2013-14	--	--	\$7,676	\$7,056	\$7,266	\$8,638
2014-15	--	--	7,740	7,116	7,328	8,712
2015-16 ⁽⁴⁾	--	--	7,820	7,189	7,403	8,801

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

(2) Beginning with Fiscal Year 2007-08, the State changed the principal apportionment for Adult Education from its status as a revenue limit item.

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

(4) Projected.

Sources: Los Angeles Unified School District Comprehensive Annual Financial Report Fiscal Year 2014-15 for Fiscal Years 2006-07 through 2014-15 and the Fiscal Year 2015-16 Second Interim Report for Fiscal Year 2015-16.

Local Control Funding Formula Gap Funding. Until the LCFF is fully implemented, each school district will have a gap between the school district's prior year funding and the target amount of funding under the LCFF for the current year. In order to address this shortfall, the LCFF provides school districts with additional funding based on the percentage of the gap ("LCFF Gap Funding"). The State will provide school districts with the same percentage of LCFF Gap Funding, but the dollar amount of the LCFF Gap Funding will vary between school districts. For Fiscal Year 2014-15 and each fiscal year thereafter, an LEA's funding amount will be based on a calculation of its target entitlement under the LCFF and technical calculations related to adjustments to its prior year's funding. The Department of Finance expects the LCFF to be fully funded in Fiscal Year 2020-21.

Subsequent to the adoption of the Fiscal Year 2014-15 Final Adopted Budget, the Department of Finance released revised LCFF Gap Funding percentages which are expected to close the remaining gap with respect to full funding of the LCFF. The District has incorporated the revised LCFF Gap Funding percentages into its budget and multiyear projections. In connection with the Proposed 2016-17 State Budget, the Department of Finance released updated LCFF Gap Funding percentages which the District reflected in the Fiscal Year 2015-16 Second Interim Report. The Governor's Proposed 2016-17 State Budget proposes that the State provide approximately \$2.8 billion of additional funding for the Local Control Fund Formula in Fiscal Year 2016-17 which will bring the implementation of the Local Control Funding Formula to 95%. See "State Budget - State Budget Act – Proposed 2016-17 State Budget" herein.

The following Table A-5 sets forth the LCFF Gap Funding percentages estimated by the Department of Finance in connection with the State Budget Act for Fiscal Year 2013-14, the revised LCFF Gap Funding percentages and the statutory cost of living adjustment (“COLA”) for Fiscal Years 2013-14 through 2016-17. See “State Budget – State Budget Act – State Budget Act for Fiscal Year 2015-16” herein.

TABLE A-5
LOS ANGELES UNIFIED SCHOOL DISTRICT
Estimated LCFF Gap Funding and Cost of Living Adjustment
Fiscal Years 2013-14 through 2019-20

	<u>2013-14</u>	<u>2014-15</u>	<u>2015-16</u>	<u>2016-17</u>	<u>2017-18</u>	<u>2018-19</u>	<u>2019-20</u>
LCFF Gap Funding⁽¹⁾	12.00%	30.16%	53.08%	49.08%	45.34%	6.15%	34.21%
<i>Revised From LCFF Gap Funding⁽²⁾</i>	<i>11.78%</i>	<i>28.06%</i>	<i>30.39%</i>	<i>19.50%</i>	<i>N/A</i>	<i>N/A</i>	<i>N/A</i>
Annual COLA⁽¹⁾	1.57%	0.85%	1.02%	0.47%	2.13%	2.65%	2.72%

⁽¹⁾ Revised estimates for Fiscal Years 2013-14 and 2014-15 were issued by the Department of Finance in July 2014. The Department of Finance issued revised projections for Fiscal Years 2016-17 through 2019-20 in January 2016 in connection with the Governor’s Proposed 2016-17 State Budget.

⁽²⁾ Projections set forth in the May Revision to the Governor’s Proposed State Budget for Fiscal Year 2014-15.

Sources: Department of Finance; Los Angeles Unified School District Comprehensive Annual Financial Reports for Fiscal Years 2014-15 and 2013-14 and the 2016-17 Proposed State Budget (defined herein) for Fiscal Years 2015-16 through 2019-20.

Local Control and Accountability Plan. Pursuant to the LCFF, school districts, county offices of education and charter schools are required to develop, adopt and annually update a three-year local control and accountability plan (“LCAP”) beginning July 1, 2014. The LCAP is required to identify goals and measure progress for student subgroups across multiple performance indicators. On June 23, 2015, the District Board adopted the LCAP for the District for Fiscal Year 2015-16.

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

In November 2014, the State Board of Education adopted final regulations to govern the expenditure of the Supplemental Grant and Concentration Grant funding. These regulations require school districts, county offices of education, and charter schools to increase and improve services for Unduplicated Pupils and provide authority for school districts to spend funds school-wide when significant populations of

Unduplicated Pupils attend a school. Pursuant to the regulations, LEAs are required to obtain input from parents of students and the general public in connection with the development, revision and updates of LCAPs. In addition, the regulations require County superintendents to review school district LCAPs and require county offices of education to provide technical assistance if they disapprove an LCAP. The Education Code grants the State Superintendent of Public Instruction authority to intervene if a school district or charter school fails to show improvement across multiple subgroups in three out of four consecutive years.

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

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

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

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

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

The District submitted its First Interim Report for Fiscal Year 2014-15 and Second Interim Report for Fiscal Year 2014-15 with qualified certifications. The Los Angeles County Office of Education (“LACOE”) concurred with each qualified certification. In June 2015, the District Board approved an interim report for Fiscal Year 2014-15 (the “June 2015 Report”) for the period ending April 30, 2015 and submitted the report to LACOE for review. On June 22, 2015, LACOE issued a letter relating to its review of the District’s projections set forth in the June 2015 Report and advised the District that a fiscal stabilization plan would be a significant consideration in connection with LACOE’s approval of the Fiscal Year 2015-16 District Final Adopted Budget. See “District Financial Information – District Budget – Fiscal Year 2015-16 District Budget.” herein. In addition, the District submitted its Fiscal Year 2015-16 First Interim Report (as defined herein) with a qualified certification. LACOE concurred with the qualified certification for the Fiscal Year 2015-16 First Interim Report. The Fiscal Year 2015-16 Second Interim Report was submitted to LACOE prior to the March 15, 2016 deadline therefor. The District submitted its Fiscal Year 2015-16 Second Interim Report with a self-certified qualified certification of its financial condition. See “DISTRICT FINANCIAL INFORMATION – District Budget - District Budget and Interim Financial Estimates” herein.

Copies of the District’s reports and certifications, as well as audited financial statements, may be obtained upon request from the District’s Office of the Chief Financial Officer located at 333 South Beaudry Avenue, 26th Floor, Los Angeles, California 90017. The District may impose a fee for copying, mailing and handling.

Charter School Funding

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

Pursuant to the LCFF, independent 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, 2015, there were 53 affiliated charter schools operated by the District and 211 fiscally independent charter schools within the District’s boundaries. The ADA for the District’s affiliated charter schools was 39,944 in Fiscal Year 2014-15 and is estimated to be 39,806 in Fiscal Year 2015-16. The District projects the ADA of fiscally independent charter schools for Fiscal Year 2015-16 will be approximately 103,259. An increase in the number of independent charter schools within the boundaries of a school district or an increase in the number of students transferring to an independent charter school from a traditional school within a school district may cause a net reduction in the District’s ADA.

Proposition 98

On November 8, 1988, voters of the State approved Proposition 98, a combined initiative constitutional amendment and statute called the “Classroom Instructional Improvement and Accountability Act.” Proposition 98 changed State funding of public education below the university level and the operation of the State’s appropriation limit as described in Article XIII B of the State Constitution, primarily by guaranteeing K-14 schools a minimum share of State General Fund revenues. Under Proposition 98 (as modified by Proposition 111, which was enacted on June 5, 1990), there are currently three tests which

determine the minimum level of K-14 funding. See “Constitutional and Statutory Provisions Relating to *Ad valorem* Property Taxes, District Revenues and Appropriations” herein. Proposition 98 also contains provisions transferring certain State tax revenues in excess of the revenue limit, which formula has been replaced with the LCFF beginning with Fiscal Year 2013-14, to K-14 schools under Article XIII B of the State Constitution. See “State Funding of School Districts – Local Control Funding Formula” herein.

Proposition 98 permits the State Legislature, by two-thirds vote of both houses and with the Governor’s concurrence, to suspend the K-14 schools’ minimum funding formula for a one-year period. The amount of suspension is eventually 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 Fiscal Year 2015-16 State Budget Act estimates that the State has outstanding approximately \$1.5 billion in Proposition 98 settle-up payments owed to K-14 schools’ resulting from the suspension of the Proposition 98 minimum guarantee in previous years. The Fiscal Year 2015-16 State Budget Act project that the State will fully fund the Proposition 98 minimum guarantee for Fiscal Year 2015-16. In addition, the Fiscal Year 2015-16 State Budget Act proposes to allocate approximately \$252 million in Fiscal Year 2015-16 for Proposition 98 settle-up payments. See “State Budget – State Budget Act for Fiscal Year 2015-16” herein.

DISTRICT FINANCIAL INFORMATION

District Financial Policies

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

Budget and Finance Policy. The District adopted an updated Budget and Finance Policy in November 2013 that requires the District to create and fund reserves for operating purposes (collectively, the “Operating Reserves”) and liability management purposes (collectively, the “Liability Reserves”). The Budget and Finance Policy reflects reserve categories promulgated by the Government Accounting Standards Board (“GASB”) and incorporates certain reserve categories established by the District. See “State Budget – Limitations on School District Reserves” herein.

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

Pursuant to the Budget and Finance Policy, the District’s total General Fund balance may not be less than an amount equal to 5% of total General Fund expenditures and net transfers out during a fiscal year (the “5% Minimum Reserve Threshold”). In addition, the Budget and Finance Policy requires the projected General Fund balance to satisfy the 5% Minimum Reserve Threshold in each of the two subsequent fiscal years which the District includes in its interim financial reports. See “District Financial Information – District Budget – First Interim Report for Fiscal Year 2015-16” and “ – Second Interim Report for Fiscal

Year 2015-16” herein. In the event that the District’s estimates indicate that the total General Fund balance will not satisfy the 5% Minimum Reserve Threshold in any of the current fiscal year or two subsequent fiscal years, the Budget and Finance Policy directs the District to develop and implement budget proposals to restore reserve balances to the 5% Minimum Reserve Threshold. The District’s Operating Reserves are expected to satisfy the 5% Minimum Reserve Threshold and the Reserve for Economic Uncertainties at the minimum level required by State law for Fiscal Years 2015-16 and 2016-17. However, the District expects that it will need to reduce its expenditures and/or obtain additional revenues in Fiscal Year 2017-18 to maintain the 5% Minimum Reserve Threshold. See “District Financial Information – District Budget – Fiscal Year 2015-16 District Budget” and “ - District Budget and Interim Financial Estimates – First Interim Report for Fiscal Year 2015-16” and “ – Second Interim Report for Fiscal Year 2015-16” herein.

Liability Reserves. Pursuant to the Budget and Finance Policy, the District must establish several Liability Reserves, including a self-insurance reserve, a workers’ compensation reserve (the “Workers’ Compensation Fund”), a health and welfare reserve (the “Health and Welfare Fund”), an other-post-employment benefits (“OPEB”) reserve (the “OPEB Reserve”) and a pension reserve (the “Supplemental Pension Set-aside/Reserve Fund”).

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

The District Board approved the creation of the OPEB Trust Fund in May 2014. The Budget and Finance Policy directs the District to appropriate contributions to the OPEB Trust Fund in its annual budgets. In addition, the Budget and Finance Policy directs the District to make additional contributions to the OPEB Trust Fund when the balances in the unrestricted portion of the Operating Reserves exceed the 5% Minimum Reserve Threshold to the extent possible. The District has contributed approximately \$135 million to the OPEB Trust Fund, inclusive of the District’s contributions of \$60 million in July 2014, \$30 million in September 2014, and \$45 million in September 2015. The District expects to make an additional contribution of \$6 million to the OPEB Trust Fund in March 2016. See “District Financial Information – Other Postemployment Benefits” herein.

The Health and Welfare Fund is used to pay all health and welfare payments for active employees and retirees. The District determines funding of the Health and Welfare Fund based on the 2012-2014 Health Benefits Agreement and the 2015-2017 Health Benefits Agreement (defined herein) for each of the applicable years. As of June 30, 2015, the total net position of the Health and Welfare Fund was approximately \$295.1 million. See “District Financial Information – Employees and Labor Relations – Labor Agreements” herein.

Debt Management Policy. The Debt Management Policy establishes formal guidelines for the issuance and management of the District’s debt and other financial obligations. The Debt Management Policy establishes targets and ceilings for certificates of participation (“COPs”) and unhedged variable rate

exposure and sets forth benchmark debt ratios that include both COPs and the District's general obligation bonds. The Debt Management Policy also requires the District to annually publish a comprehensive debt report (the "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 April 14, 2015. The District is in compliance with the Debt Management Policy. The Debt Management Policy sets forth an annual gross debt service cap of \$105 million attributable to COPs and establishes a target of 2.0% and a ceiling of 2.5% for the ratio of gross COPs debt service to District General Fund appropriations. 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, 2015, the District's maximum fiscal year COPs debt service is approximately \$43.9 million (which is below the annual gross debt service cap of \$105.0 million set forth in the Debt Management Policy). As of June 30, 2015, the maximum fiscal year COPs debt service was approximately 0.70% of the District General Fund appropriations during Fiscal Year 2015-16.

The Debt Management Policy limits unhedged variable rate debt to the lesser of 20% of outstanding COPs or \$100 million and requires reporting of the debt ratios and benchmarks. As of January 1, 2016, the District had outstanding COPs in the aggregate principal amount of approximately \$266.1 million. The District currently has no variable rate COPs outstanding and no other variable interest rate exposure.

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

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

District Budget

General School District Budget Process and Oversight. State law requires that each school district maintain a balanced budget in each fiscal year, and that each district project beginning balances, revenues, expenditures, and ending balances for two subsequent years. See "District Financial Information – District

Budget - Interim Reporting Requirements” herein. The CDE imposes a uniform budgeting and accounting format for school districts. Under current law, the District Board must file with the county superintendent of schools a budget for each fiscal year by June 30 of the immediately prior fiscal year (referred to herein as the “Final Adopted Budget”). After approval of the Final Adopted Budget, the District’s administration may submit budget revisions to the District Board during the fiscal year.

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

Furthermore, county offices of education are required to review school district budgets, complete the budget review checklist and conduct an analysis of any budget item that does not meet the established standards and criteria. In addition, county offices of education are required to determine whether the adopted budget will allow the school district to meet its financial obligations during the fiscal year and is consistent with a financial plan that will enable the school district to satisfy its multiyear financial commitments. The county superintendent of schools must approve, conditionally approve, or disapprove the adopted budget for each school district in accordance with the Education Code. For Fiscal Year 2014-15 and each fiscal year thereafter, the Education Code directs the county superintendent of schools to disapprove any school district budget if it determines that the budget does not include expenditures necessary to implement an LCAP or an annual update to the LCAP. See “State Funding of School Districts – Local Control Funding Formula – Local Control Accountability Plan” herein.

In the event that the county office of education disapproves the school district’s budget, the county superintendent will submit to the governing board of the school district on or before August 15 of such year recommendations regarding revisions of the budget and the reasons for the recommendations, including, but not limited to, the amounts of any budget adjustments needed before the county superintendent can conditionally approve that budget. In addition, school districts must make available for public review any revisions to revenues and expenditures that it has made to its budget to reflect the funding made available by the State Budget Act (defined herein) not later than 45 days after the enactment of the State Budget Act. If the county superintendent of schools disapproves a revised budget, he or she will call for the formation of a budget review committee. By November 30 of each year, every school district must have an adopted and approved budget, or the county superintendent of schools will impose one and report such school district to the State Legislature and the Department of Finance. In prior years, LACOE has granted a conditional approval to certain of the District’s budgets pending, among other things, information regarding collective bargaining and other budgetary considerations. However, in the last ten years, LACOE has not disapproved any budget submitted to it by the District.

Fiscal Year 2014-15 District Budget. The District Board adopted its budget for Fiscal Year 2014-15 on June 24, 2014 (the “Fiscal Year 2014-15 District Final Adopted Budget”) and submitted the Fiscal Year 2014-15 District Final Adopted Budget to LACOE in a timely manner for review. LACOE approved the Fiscal Year 2014-15 District Final Adopted Budget in September 2014. The Fiscal Year 2014-15 District Final Adopted Budget is balanced due to, among other things, the projected receipt of greater revenue from the LCFF than the former revenue limit formula, the end of federal sequestration with respect to certain District revenues and revised expenditure estimates. The Fiscal Year 2014-15 District Final Adopted Budget reflects significant changes to California school district finance which were implemented in Fiscal Year 2013-14 including, among other things, the LCFF which is now the primary method for K-12 education

funding in the State. In addition, the District Board approved the LCAP on June 24, 2014. See “State Funding of School Districts – Local Control Funding Formula – General” and “– Local Control Accountability Plan” herein.

The Fiscal Year 2014-15 District Final Adopted Budget projected a General Fund beginning balance of \$655.2 million, revenues of \$6.223 billion, total estimated expenditures of \$6.262 billion, other financing sources and uses of negative \$127.3 million and an ending balance of \$489.3 million. The projected General Fund beginning balance of \$655.2 million for Fiscal Year 2014-15 is approximately \$173.2 million greater than the Fiscal Year 2014-15 beginning balance estimated in the District’s Fiscal Year 2013-14 Final Adopted Budget. The Fiscal Year 2014-15 District Final Adopted Budget projected that its General Fund ending balance of \$489.3 million will consist of approximately \$65.4 million for the mandatory Reserve for Economic Uncertainties, \$18.5 million of non-spendable funds, \$77.9 million of restricted ending balances, \$303.2 million of assigned ending balances and \$24.3 million of undesignated and unassigned ending balances.

The District’s General Fund Revenues for Fiscal Year 2014-15 were approximately \$197 million greater than the projected General Fund Revenues set forth in the Fiscal Year 2014-15 District Final Adopted Budget. The District’s General Fund Expenditures for Fiscal Year 2014-15 were approximately \$55.9 million less than the projected General Fund Expenditures set forth in the Fiscal Year 2014-15 District Final Adopted Budget. The District’s General Fund ending balance for Fiscal Year 2014-15 was approximately \$330.5 million greater than the projected General Fund ending balance set forth in the Fiscal Year 2014-15 District Final Adopted Budget of \$489.3 million.

The Quality Education Investment Act of 2006 (“QEIA”) implemented the terms of the *CTA, et al. v. Schwarzenegger, et al.* settlement to discharge the outstanding balance of the maintenance factor regarding Proposition 98 funding that was due but not provided in Fiscal Years 2004-05 and 2005-06. The purpose of QEIA funding is to provide additional support to raise academic performance at low performing schools. QEIA funding for a particular school can be eliminated if such school fails to timely meet certain academic achievement targets. QEIA funding was approximately \$500 per pupil for eligible students in grades K-3, approximately \$900 per pupil for eligible students in grades 4-8 and \$1,000 per pupil for eligible students in grades 9-12 during Fiscal Years 2008-09 thru 2014-15. The District received approximately \$67.0 million in Fiscal Year 2013-14 under the QEIA. The District received total funding from QEIA of approximately \$80.2 million in Fiscal Year 2014-15, which was the final year that the State provided QEIA funding to school districts. See “State Funding of School Districts — Local Control Funding Formula” and “State Budget” herein.

Fiscal Year 2015-16 District Budget. The District Board adopted its budget for Fiscal Year 2015-16 on June 23, 2015 (the “Fiscal Year 2015-16 District Final Adopted Budget”) and submitted the Fiscal Year 2015-16 District Final Adopted Budget to LACOE in a timely manner for review. The Fiscal Year 2015-16 District Final Adopted Budget is balanced due to the projected receipt of greater revenue from the State and the implementation of a fiscal stabilization plan which was adopted by the District Board in June 2015. In addition, the District Board approved the LCAP on June 23, 2015. See “State Funding of School Districts – Local Control Funding Formula – General” and “– Local Control Accountability Plan” herein.

The Fiscal Year 2015-16 District Final Adopted Budget projects a General Fund beginning balance of \$665.2 million, revenues of \$7.079 billion, total estimated expenditures of \$6.967 billion, other financing sources and uses of negative \$58.3 million, and an ending balance of \$718.9 million. The projected General Fund beginning balance of \$665.2 million for Fiscal Year 2015-16 is approximately \$175.9 million greater than the Fiscal Year 2014-15 beginning balance estimated in the District’s Fiscal Year 2014-15 Final Adopted Budget. The Fiscal Year 2015-16 District Final Adopted Budget projects that its General Fund

ending balance of \$718.9 million will consist of approximately \$72.4 million for the mandatory Reserve for Economic Uncertainties, \$19.6 million of non-spendable funds, \$59.1 million of restricted ending balances, \$218.3 million of committed ending balances, \$308.2 million of assigned ending balances and \$41.3 million of undesignated and unassigned ending balances.

The Fiscal Year 2015-16 District Final Adopted Budget included certain assumptions and policies as follows: (a) a COLA of 1.02% and a gap funding percentage of 53.08% for LCFF revenue; (b) a COLA of 1.02% for selected categorical programs outside of the LCFF; (c) LCFF ADA of 470,837 for regular District schools and 40,054 for affiliated charter schools; (d) three-year rolling unduplicated count of 417,737 and unduplicated percentage of 83.19% for regular District schools and 15,656 and 37.52% for affiliated charter schools; (e) an LCFF allocation of \$614.3 million from the Education Protection Account (the "Education Protection Account") established by Proposition 30 (defined herein) to be spent for instruction; (f) a proportionality expenditure increase requirement of \$170 million; (g) a COLA of 1.02% on the special education apportionment from the State under Assembly Bill 602 (1997); (h) a net enrollment decline of 15,690 from Fiscal Year 2014-15 for non-charter and affiliated charter schools and an enrollment increase of approximately 8,966 for independent charter schools; (i) salaries compensation increases for bargaining units that have settled; (j) funding for employee health and medical benefits at the per participant rate set forth in the 2015-2017 Health and Welfare agreement; (k) no contribution to the OPEB Trust Fund for Fiscal Year 2015-16; (l) an increase of 1.85% in the CalSTRS rate for Fiscal Year 2015-16 from 8.88% to 10.73%; (m) an increase of 0.076% in the CalPERS rate for Fiscal Year 2015-16 from 11.771% to 11.847%; (n) ongoing and major maintenance resources in the aggregate amount of approximately \$211.0 million which reflects approximately 3% of budgeted General Fund expenditures; (o) cafeteria program support and child development support of \$60.8 million and \$41 million, respectively, in Fiscal Year 2015-16; (p) a contribution of \$123 million to the Workers' Compensation fund and inclusion of the Workers' Compensation actuarially-determined fund liability of approximately \$477.5 million; (q) inclusion of 2015-16 bond debt service, COPs proceeds funds and other interfund transfer expenditures; (r) a Reserve for Economic Uncertainties in an amount of approximately \$72 million which reflects the statutory 1% budgeted expenditure requirement; (s) inclusion of the Fiscal Year 2015-16 beginning balances in the General Fund and other funds, reflecting an estimated ending balance as of June 30, 2015 set forth in the interim financial report filed in June 2015; (t) estimated 2015-16 ending balances for the General Fund and other district funds, reflecting the difference between anticipated 2015-16 revenue and expenditure levels; (u) authority to transfer amounts, as necessary, to implement technical adjustments related to the Fiscal Year 2015-16 District Final Adopted Budget; (v) authority to implement new revenues in Fiscal Year 2015-16 and to increase budgeted appropriations accordingly; and (w) a California Price Index (CPI) of 2.2% on other operating expenditures, except utilities which is projected to increase by 6%.

The following Table A-6 sets forth the District's Final Adopted Budgets for the District General Fund, inclusive of regular and specially funded programs for Fiscal Years 2011-12 through 2015-16 and the actual results for Fiscal Years 2010-11 through 2014-15. The budgeted beginning balance for each fiscal year reflects the estimated ending balance for the prior fiscal year based upon information as of the budget adoption date. Accordingly, the budgeted ending balance for a fiscal year and the subsequent budgeted beginning balance may differ from the actual ending balance and actual beginning balance.

TABLE A-6
LOS ANGELES UNIFIED SCHOOL DISTRICT
District General Fund Budget⁽¹⁾⁽²⁾⁽³⁾
Fiscal Years 2011-12 through 2015-16
(\$ in millions)

	Final Adopted Budget <u>2011-12</u>	Audited Actuals <u>2011-12</u>	Final Adopted Budget <u>2012-13</u>	Audited Actuals <u>2012-13</u>	Final Adopted Budget <u>2013-14</u>	Audited Actuals <u>2013-14</u>	Final Adopted Budget <u>2014-15</u>	Audited Actuals <u>2014-15</u>	Final Adopted Budget <u>2015-16</u>
Beginning Balance	\$828.6	\$903.5	\$758.4	\$824.8	\$638.7	\$592.7	\$655.2	\$700.3	\$665.2
Revenue:									
State Apportionment	\$2,232.4	\$2,175.8	\$2,093.8	\$1,921.3	\$2,246.9	\$3,480.2	\$3,827.2	\$3,811.4	\$4,388.3
Property Taxes	<u>775.5</u>	<u>792.4</u>	<u>818.3</u>	<u>992.4</u>	<u>809.0</u>	<u>870.9</u>	<u>845.7</u>	<u>930.7</u>	<u>861.8</u>
Total LCFF/Revenue Limit	<u>3,007.9</u>	<u>2,968.2</u>	<u>2,912.1</u>	<u>2,913.7</u>	<u>3,055.9</u>	<u>4,351.1</u>	<u>4,672.9</u>	<u>4,742.1</u>	<u>5,250.0</u>
Revenues ⁽⁴⁾									
Federal	935.2	868.0	733.8	629.9	726.2	557.3	727.9	646.8	739.2
Other State	2,036.8	1,903.5	2,002.0	2,002.5	2,119.5	822.4	705.5	905.4	953.8
Other Local	<u>124.1</u>	<u>142.9</u>	<u>128.8</u>	<u>125.5</u>	<u>141.3</u>	<u>122.8</u>	<u>116.8</u>	<u>125.8</u>	<u>136.1</u>
Total Revenue	<u>\$6,104.1</u>	<u>\$5,882.5</u>	<u>\$5,776.8</u>	<u>\$5,671.6</u>	<u>\$6,042.8</u>	<u>\$5,853.6</u>	<u>\$6,223.1</u>	<u>\$6,420.1</u>	<u>\$7,079.1</u>
Total Beginning Balance and Revenue	<u>\$6,932.7</u>	<u>\$6,786.0</u>	<u>\$6,535.2</u>	<u>\$6,496.4</u>	<u>\$6,681.5</u>	<u>\$6,446.4</u>	<u>\$6,878.3</u>	<u>\$7,120.3</u>	<u>\$7,744.3</u>
Expenditures									
Certificated Salaries	\$2,689.3	\$2,681.6	\$2,498.7	\$2,589.7	\$2,582.2	\$2,585.4	\$2,694.6	\$2,782.5	\$3,039.1
Classified Salaries	794.8	819.2	779.7	771.5	804.4	800.3	828.6	847.2	871.0
Employee Benefits	1,412.8	1,365.8	1,459.2	1,344.8	1,374.2	1,385.7	1,472.7	1,564.9	1,542.8
Books and Supplies	365.4	231.1	389.4	165.4	504.7	182.2	526.6	275.6	683.4
Other Operating Expenses	810.8	701.4	748.7	858.2	729.6	667.5	724.6	712.5	816.1
Capital Outlay	43.9	43.6	39.5	52.3	30.6	32.3	12.5	15.6	7.0
Debt Service	4.9	1.4	1.8	.9	1.1	.9	1.0	.9	.1
Other Outgo	<u>0.7</u>	<u>1.2</u>	<u>1.7</u>	<u>1.2</u>	<u>1.2</u>	<u>6.3</u>	<u>1.1</u>	<u>6.5</u>	<u>7.6</u>
Total Expenditures	<u>\$6,122.7</u>	<u>\$5,845.5</u>	<u>\$5,918.7</u>	<u>\$5,784.0</u>	<u>\$6,027.9</u>	<u>\$5,660.7</u>	<u>\$6,261.6</u>	<u>\$6,205.7</u>	<u>\$6,967.2</u>
Excess (Deficiency) of Revenue Over (Under) Expenditures	(18.6)	37.0	(141.87)	(112.4)	15.0	192.9	(38.6)	214.3	112.0
Total Other Financing Sources (Uses)	(168.1)	(115.7)	(91.1)	(119.7)	(171.6)	(85.4)	(127.3)	(94.78)	(58.30)
Change in Fund Balance	(186.7)	(78.7)	(232.9)	(232.1)	(156.67)	107.5	(165.9)	119.6	53.7
Ending Balance	<u>\$641.9</u>	<u>\$824.8</u>	<u>\$525.5</u>	<u>\$592.7</u>	<u>\$482.0</u>	<u>\$700.3</u>	<u>\$489.3</u>	<u>\$819.8</u>	<u>\$718.9</u>

Fund Balance

Nonspendable	\$10.8	\$11.2	\$10.4	\$18.5	\$11.2	\$19.6	\$18.5	\$20.7	\$19.6
Restricted	164.5	186.6	72.7	138.5	78.8	192.9	77.9	126.5	59.1
Committed									218.3
Assigned	401.3	465.3	377.0	370.4	247.4	336.4	303.2	418.4	308.2
Reserved for Revenue Uncertainties					32.5				
Reserved for Economic Uncertainties	65.4	65.4	65.4	65.4	65.4	65.4	65.4	65.4	72.4
Undesignated/Unassigned	<u>0.0</u>	<u>96.4</u>	<u>0.0</u>	<u>0.0</u>	<u>46.7</u>	<u>85.9</u>	<u>24.3</u>	<u>188.8</u>	<u>41.3</u>
	<u>\$641.9</u>	<u>\$824.8</u>	<u>\$525.5</u>	<u>\$592.7</u>	<u>\$482.0</u>	<u>\$700.3</u>	<u>\$489.3</u>	<u>\$819.8</u>	<u>\$718.9</u>

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

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

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

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

Sources: Los Angeles Unified School District’s Final Adopted Budgets for Fiscal Years 2011-12 through 2015-16; Comprehensive Annual Financial Reports for Fiscal Years 2011-12 through 2014-15.

District Budget and Interim Financial Estimates. The following Table A-7 sets forth budgeted revenues and expenditures and projected year-end amounts, including projected year-end General Fund Balances, as reported in the Fiscal Year 2015-16 District Final Adopted Budget, the Fiscal Year 2015-16 First Interim Report (defined herein) and Fiscal Year 2015-16 Second Interim Report (defined herein). The District has timely prepared these estimates of its Fiscal Year 2015-16 financial results and provided this information to the District Board and LACOE. See “— First Interim Report for Fiscal Year 2015-16” and “— Second Interim Report for Fiscal Year 2015-16” herein.

TABLE A-7
LOS ANGELES UNIFIED SCHOOL DISTRICT
District General Fund
Summary of Fund Balances, Revenues and Expenditures
Fiscal Year 2015-16
(\$ in millions)

	Fiscal Year 2015-16 District Final Adopted Budget (June 2015)	Fiscal Year 2015-16 First Interim Report (December 2015) ⁽¹⁾	Fiscal Year 2015-16 Second Interim Report (March 2016) ⁽²⁾
Beginning Balance	\$ 665.2	\$ 817.8	\$ 819.8
Revenues	\$ 7,079.1	\$ 6,942.8	\$ 6,952.0
Expenditures	\$ 6,967.2	\$ 6,604.8	\$ 6,672.4
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources and Uses	\$ 112.0	\$ 337.9	\$ 279.6
Other Financings Sources/Uses	\$ (58.3)	\$ (76.1)	\$ (63.4)
Ending Balance	\$ 718.9	\$ 1,079.6	\$ 1,036.0

⁽¹⁾ Reflects the District’s actuals for Fiscal Year 2015-16 for the period from July 1, 2015 through October 31, 2015 and projections for the period from November 1, 2015 through June 30, 2016.

⁽²⁾ Reflects the District’s actuals for Fiscal Year 2015-16 for the period from July 1, 2015 through January 31, 2016 and projections for the period from February 1, 2016 through June 30, 2016.

Sources: Los Angeles Unified School District Fiscal Year 2015-16 District Final Adopted Budget, Fiscal Year 2015-16 First Interim Report and Fiscal Year 2015-16 Second Interim Report.

First Interim Financial Report for Fiscal Year 2015-16. The District’s Fiscal Year 2015-16 First Interim Report (the “Fiscal Year 2015-16 First Interim Report”) was filed with LACOE by the December 15, 2015 deadline. The District submitted its Fiscal Year 2015-16 First Interim Report with a self-certified qualified certification of its financial condition. The Fiscal Year 2015-16 First Interim Report stated that the District would be able to meet its financial obligations in Fiscal Years 2015-16 and 2016-17 and projected that the District would need budget-balancing solutions and/or shared commitments from its collective bargaining units in Fiscal Year 2017-18 in order to satisfy the 5% Minimum Reserve Threshold. See “District Financial Information – District Financial Policies – Budget and Finance Policy – Liability Reserves” herein.

The District’s Fiscal Year 2015-16 First Interim Report projected that the District’s ending balance of \$1.08 billion would consist of approximately \$20.7 million of nonspendable moneys, \$136.5 million of restricted funds, \$218.3 million of committed funds, \$485.5 million of assigned funds,

\$72.4 million to be deposited in the Reserve for Economic Uncertainties and \$146.3 million of unassigned/unappropriated funds. The Fiscal Year 2015-16 First Interim Report projected that the District would satisfy the minimum percentages required to be deposited in its Reserve for Economic Uncertainties in Fiscal Years 2015-16, 2016-17 and 2017-18.

In connection with the Fiscal Year 2015-16 First Interim Report, the District submitted a fiscal stabilization plan (the “December 2015 Fiscal Stabilization Plan”) to LACOE. The December 2015 Fiscal Stabilization Plan included three options to address a projected budget deficit of \$225.9 million as of June 30, 2018. Under each option, the December 2015 Fiscal Stabilization Plan directs the District to apply the committed balance of \$218.3 million from Fiscal Year 2016-17 and the estimated ending balance of \$146.3 million from Fiscal Year 2015-16 toward the projected deficit.

The first option directs the District to reduce programs districtwide by 20% in Fiscal Year 2017-18, reduce budgeted expenditures at the central office by 25% and increase class sizes for grades four through twelve. Under the second option, the December 2015 Fiscal Stabilization Plan directs the District to implement certain recommendations from the Panel’s report during Fiscal Year 2017-18. See “District General Information - Independent Financial Review Panel” herein. The second option relies, in part, on collective bargaining, legislative changes and other agreements. However, in accordance with LACOE’s guidelines, LACOE’s analysis will not assume the impact of such events until their occurrence. Further, LACOE’s guidelines recommend that financial projections for Fiscal Year 2016-17 exclude LCFF Gap Funding. Under the third option, the December 2015 Fiscal Stabilization Plan reduces budgeted expenditures at the central office by 30% in Fiscal Year 2016-17, eliminates school carryover policies in Fiscal Year 2017-18, reduces programs districtwide by 20%, reduces budgeted expenditures at the central office by 25% in Fiscal Year 2017-18, and increases class sizes in grades four through twelve. The third option does not assume increased revenues from LCFF Gap Funding or COLA.

Second Interim Financial Report for Fiscal Year 2015-16. The District’s Fiscal Year 2015-16 Second Interim Report (the “Fiscal Year 2015-16 Second Interim Report”) was submitted to LACOE prior to the March 15, 2016 deadline therefor. The District’s Fiscal Year 2015-16 Second Interim Report has a self-certified qualified certification of its financial condition. The Fiscal Year 2015-16 Second Interim Report states that the District would be able to meet its financial obligations in Fiscal Years 2015-16 and 2016-17 and projects that the District would need budget-balancing solutions and/or shared commitments from its collective bargaining units in Fiscal Year 2017-18 in order to satisfy the 5% Minimum Reserve Threshold. See “District Financial Information – District Financial Policies – Budget and Finance Policy – Liability Reserves” herein.

The District’s Fiscal Year 2015-16 Second Interim Report projects that the District’s ending balance of \$1.0 billion will consist of approximately \$20.7 million of nonspendable moneys, \$137.9 million of restricted funds, \$218.3 million of committed funds, \$457.7 million of assigned funds, \$72.4 million to be deposited in the Reserve for Economic Uncertainties and \$129.1 million of unassigned/unappropriated funds. The Fiscal Year 2015-16 Second Interim Report projects that the District will satisfy the minimum percentages required to be deposited in its Reserve for Economic Uncertainties in Fiscal Years 2015-16, 2016-17 and 2017-18.

In connection with the Fiscal Year 2015-16 Second Interim Report, the District will submit a fiscal stabilization plan (the “March 2016 Fiscal Stabilization Plan”) to LACOE. The March 2016 Fiscal Stabilization Plan includes two options to address a projected cumulative budget deficit of \$72.2 million as of June 30, 2018. Under each option, the March 2016 Fiscal Stabilization Plan directs the District to apply the projected ending balances of \$129.1 million and \$137.4 million from Fiscal Year 2015-16 and Fiscal Year 2016-17, respectively, toward the projected deficit. The March 2016 Fiscal Stabilization Plan

seeks to address, among other things, declining enrollment in comparison to increasing fixed costs, issues relating to State education funding, a projected deficit in Fiscal Year 2018-19 of \$450 million, and challenges raised by the Panel.

The first option set forth in the March 2016 Fiscal Stabilization Plan directs the District to implement certain recommendations from the Panel's report during Fiscal Year 2017-18. See "District General Information - Independent Financial Review Panel" herein. The District estimates that the implementation of 15% of the Panel's recommendations will provide approximately \$102.8 million of budgetary solutions. The first option relies, in part, on collective bargaining, legislative changes and other agreements. However, in accordance with LACOE's guidelines, LACOE's analysis will not assume the impact of such events until their occurrence. The District estimates that the first option, if implemented, will result in a General Fund ending balance as of June 30, 2018 of \$30.58 million. In the event the District implements the second option, the District plans to eliminate a contribution to the OPEB Trust Fund of approximately \$101.3 million in Fiscal Year 2017-18. The District projects that the second option, if implemented, will result in a General Fund ending balance as of June 30, 2018 of \$29.10 million.

Significant Accounting Policies, System of Accounts and Audited Financial Statements

The CDE imposes by law uniform financial reporting and budgeting requirements for K-12 school districts. Financial transactions are accounted for in accordance with the California School Accounting Manual. The District uses fund accounting and maintains governmental funds, proprietary funds and fiduciary funds. The General Fund is the chief operating fund of the District. For a description of the other major funds of the District, see the description thereof contained in Appendix B – "Comprehensive Annual Financial Report of the District for the Fiscal Year ended June 30, 2015" attached hereto. Note 1 to such audited financial statements sets forth significant accounting policies that the District follows. Simpson & Simpson Certified Public Accountants, Los Angeles, California, served as independent auditor to the District for its audited financial statements for Fiscal Year 2014-15. See Appendix B – "Comprehensive Annual Financial Report of the District for the Fiscal Year ended June 30, 2015" attached hereto.

The District is required to file its audited financial statements for the preceding fiscal year with the State Controller's Office, the CDE and the County Superintendent of Schools by December 15 of each year. During the last five years, the District timely filed its comprehensive annual financial reports ("CAFRs") with LACOE pursuant to the Education Code by the respective deadlines therefor with the exception of Fiscal Year 2012-13. The filing of the CAFR for Fiscal Year 2012-13 was delayed due to issues discovered in connection with the migration of capital asset data from the District's previous system for accounting and purchasing, known as the Integrated Financial System, to a new system known as the SAP Financial System. However, the District applied for and received an extension from LACOE and filed the CAFR for Fiscal Year 2012-13 by the deadline therefor.

Employees and Labor Relations

General. The District has twelve bargaining units with existing contracts. The largest bargaining unit among the District's employees is United Teachers of Los Angeles ("UTLA"), which is comprised of, among other employees, teachers, counselors, advisers, nurses, psychologists, and social workers. In addition, certain employees are not represented by a formal bargaining unit (the "District Represented Employees"). The following Table A-8 sets forth the number of members of each bargaining unit as of January 1, 2016 and the expiration dates of the existing or successor labor agreements with each of the District's employee bargaining units.

TABLE A-8
LOS ANGELES UNIFIED SCHOOL DISTRICT
Employee Bargaining Units and Contract Expiration Dates
As of January 1, 2016

Employee Bargaining Unit	Members	Contract Expiration Date (June 30)
Associated Administrators of Los Angeles (Certificated)	2,680	2017
Unit A (School Police)	417	2017
Unit B (Instructional Aides)	12,117	2017
Unit C (Operations – Support Services)	7,732	2017
Unit D (Office – Technical and Business Services)	4,485	2017
Unit E (Skilled Crafts)	1,367	2017
Unit F (Teacher Assistants)	4,371	2017
Unit G (Playground Aides)	10,843	2017
Unit H (Sergeants and Lieutenants)	62	2017
Unit J (Classified Management)	311	2015 ⁽¹⁾
Unit S (Classified Supervisors)	3,229	2017
United Teachers of Los Angeles	32,011	2017
District Represented Employees ⁽²⁾	1,693	N/A

⁽¹⁾ The District and Unit J are negotiating terms to be contained in a successor contract. The contract between Unit J and the District with a stated termination date of June 30, 2015 contains a clause which permits the contract to continue unless either party gives the other party a 10 day notice to stop. The District and Unit J agreed to terms with respect to salaries during reopener negotiations in 2014. Accordingly, the District and Unit J are operating under the terms of the existing contract until negotiations with respect to all terms to be contained in the successor contract are completed.

⁽²⁾ District-represented employees include employees that are not represented by a union due to their designation as management, confidential or unrepresented employees. Does not include unrepresented seasonal employees.

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

Labor Agreements. The following Table A-9 sets forth the salary increases applicable to each bargaining unit based on clauses contained in their respective contracts relating to comparable treatment as other bargaining units. Arbitration is currently underway with respect to the implementation of the comparable treatment clause for Unit H. The District is currently negotiating a successor agreement with Unit J (Classified Management).

TABLE A-9

**LOS ANGELES UNIFIED SCHOOL DISTRICT
Employee Bargaining Units – Salary Increases**

Date	UTLA	AALA Unit J Unit S District Rep. Employees	Unit D	Unit A	Unit B Unit C Unit F Unit G	Unit E
July 2014	4%	4%	4%	2%	2% + minimum \$11 per hour	2%
January 2015	2%	2%	2%	2%	--	--
July 2015	2%	2%	2%	2%	2% + minimum \$13 per hour	2%
January 2016	2%	2%	1.96%+ minimum \$13 per hour	2%	--	--
July 2016	Reopener	Reopener	Reopener	Reopener	2.5% + minimum \$15 per hour	2.5% + 85% of Prevailing Wage

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

Health Benefits Agreement. The District and its bargaining units approved the 2015-2017 Health Benefits Agreement (the “2015-2017 Health Benefits Agreement”) in June 2015. The 2015-2017 Health Benefits Agreement defines the District’s contribution towards health and welfare benefits for active and retired employees. For fiscal year 2015-16, the District’s estimated General Fund contribution to the Plan is \$878.8 million. Pursuant to the 2015-2017 Health Benefits Agreement, contributions will be paid in part from funds in the reserve fund (the “Health Benefit Reserve Fund”). The District estimates that its General Fund contributions will be \$952.3 million and \$1,061.1 million for fiscal years 2016-17 and 2017-18, respectively. As of June 30, 2015, the total net position of the Health Benefit Reserve Fund was approximately \$295.1 million.

Pursuant to the 2015-2017 Health Benefits Agreement, the Health Benefit Reserve Fund will provide a contribution toward any increase during the 2016 and 2017 calendar years. However, pursuant to the 2016-2018 Health Benefits Agreement, the balance in the Health Benefit Reserve Fund may not be reduced below \$160 million as of December 31, 2017 if the term of the 2015-2017 Health Benefits Agreement ends on December 31, 2017, or if the 2015-2017 Health Benefits Agreement is extended, December 31, 2018. The 2015-2017 Health Benefits Agreement may be extended to 2018 only if there is a 20% reduction in the liability for OPEB as reported under GASB 45 by January 1, 2018, and health

benefits costs for plan year 2017 increase by 4.5% or less from the prior year based on the August 1, 2017 estimate. See “State Funding of School Districts - Local Control Funding Formula – General” and “State Funding of School Districts - Local Control Funding Formula – Local Control Funding Formula Gap Funding” herein.

Reduction in Force Notices. In general, pursuant to the Education Code, the District must give written notice to a certificated employee by the March 15 (each, a “Reduction in Force Notice”) prior to the commencement of a school year if such certificated employee is to be released or reassigned for that school year. In anticipation of the approval of the State’s budget and the approval of the District’s budget and to provide flexibility in the event budget reductions are necessary in a given fiscal year, the District Board may approve the use of Reduction in Force Notices for a portion of its certificated employees. In March 2016, the District Board authorized Reduction in Force Notices for all certificated contract level management and 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.

Retirement Systems

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

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

The following Table A-10 sets forth the District’s aggregate contributions to CalSTRS, CalPERS and PARS, inclusive of employee contributions to CalPERS paid by the District, for Fiscal Years 2011-12 through 2014-15 and the estimated contributions for Fiscal Year 2015-16 and these contributions as a percentage of the District’s Total Governmental Funds expenditures for Fiscal Years 2011-12 through 2014-15. See Table A-11 “Annual Regular CalSTRS Contributions,” Table A-14 “Annual CalPERS Regular Contributions” and Table A-18 “Annual PARS Contribution” for the estimated contributions by the District for Fiscal Years 2014-15 and 2015-16 for CalSTRS, CalPERS and PARS, respectively. For additional information regarding the District’s pension and retiree health care programs and costs, see the District’s financial statements for Fiscal Year 2013-14 contained in Appendix B – “Comprehensive Annual Financial Report of the District for the Fiscal Year ended June 30, 2015” attached hereto.

TABLE A-10

**LOS ANGELES UNIFIED SCHOOL DISTRICT
Aggregate Employer Contributions to CalSTRS, CalPERS and PARS
Fiscal Years 2011-12 through 2015-16
(\$ in millions)**

Fiscal Year	District Contributions⁽¹⁾	District Contribution as Percentage of Total Governmental Funds Expenditures
2011-12	\$365.9	4.33%
2012-13	346.0	4.36
2013-14	348.6	4.45
2014-15	373.6	4.47
2015-16 ⁽²⁾	439.3	N/A

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

⁽²⁾ Estimated.

Sources: Los Angeles Unified School District Comprehensive Annual Financial Reports for Fiscal Years 2011-12 through 2014-15 and the District for the estimated contributions for Fiscal Year 2015-16, percentage of Total Governmental Funds Expenditures from the District.

California State Teachers' Retirement System. CalSTRS is a defined benefit plan that covers all full-time certificated District employees and some classified District employees, which are District employees employed in a position that does not require a teaching credential from the State. Benefit provisions are established by State legislation in accordance with the State Teachers' Retirement Law. CalSTRS is operated on a Statewide basis and, based on publicly available information, has substantial unfunded liabilities. Additional funding of CalSTRS by the State and the inclusion of adjustments to such State contributions based on consumer price changes were provided for in 1979 Statutes, Chapter 282.

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

The California State Teachers' Retirement System Defined Benefit Program Actuarial Valuation as of June 30, 2014 (the "2014 CalSTRS Actuarial Valuation") is the most recent actuarial valuation for the CalSTRS plan. The fair market value of the CalSTRS pension fund as of June 30, 2013 and June 30, 2014 was \$157.2 billion and \$179.7 billion, respectively, based on total system assets. CalSTRS actuarial consultant (the "Actuarial Consultant") determines the actuarial value of the plan's assets by using a one-third smoothed recognition method of the difference between the actual market value of assets to the expected actuarial value of assets. Accordingly, the actuarial value of assets will not reflect the entire impact of certain investment gains or losses on an actuarial basis as of the date of the valuation or legislation enacted subsequent to the date of the valuation.

The actuarial assumptions set forth in the 2014 CalSTRS Actuarial Valuation use the “Entry Age Normal Cost Method” and, among other things, an assumed 7.50% investment rate of return, 4.50% interest on accounts, projected 3.75% wage growth, projected 3.00% inflation and demographic assumptions relating to mortality rates, length of service, rates of disability, rates of withdrawal, probability of refund, and merit salary increases. The actuarial assumptions and methods used in the 2014 CalSTRS Actuarial Valuation were based on the CalPERS Experience Study and Review of Actuarial Assumptions for the period from 1997 to 2011 adopted by the Teacher’s Retirement Board in January 2014 (the “CalSTRS Experience Analysis”). CalSTRS’ unfunded liability will vary from time to time depending upon actuarial assumptions, actual rates of return on investment, salary scales and levels of contribution.

The 2014 CalSTRS Actuarial Valuation stated that the aggregate contribution rate as of June 30, 2014, inclusive of an equivalent rate contribution of 9.654% from members, 8.000% from employers relating to the base rate, 0.250% from employers based on the sick leave rate, 8.662% from employers based on the supplemental rate, 1.868% from the State based on the base rate and 3.794% from the State based on the supplemental rate is equivalent to 32.228%. The 2014 CalSTRS Actuarial Valuation assumes that all members hired on or after January 1, 2013 are subject to the provisions of PEPR (defined herein). See “- Retirement Systems – California Public Employees’ Pension Reform Act of 2013” herein. The Actuarial Consultant stated that the lower level of benefits offered to PEPR Employees (defined herein) is expected to reduce the normal costs related thereto and the amount of additional revenue needed. Although the Actuarial Consultant applied a 7.50% long-term rate of return to CalSTRS’ assets in its actuarial valuations, upon its implementation for financial statements beginning in Fiscal Year 2014-15, GASB 68 (defined herein) required the District and other member agencies to assume a lower rate of return to determine their respective net pension liability. As of June 30, 2015, the District’s proportionate share of CalSTRS’ net pension liability was approximately \$3.4 billion. Pursuant to GASB 68, if CalSTRS or any other defined benefit program is projected to exhaust all of its assets in the future, the assumed rate of return will only be applied to assets until such time as the assets are no longer sufficient to pay benefits. Subsequent thereto, the remaining liability will be discounted with a high-quality municipal bond rate. See “- Pension Accounting and Financial Reporting Standards” herein. In connection with the State Budget Act for Fiscal Year 2014-15, the State approved, among other things, increases to CalSTRS contribution rates in order to reduce the UAAL of CalSTRS.

Beginning in Fiscal Year 2014-15, employer, employee and State contributions to CalSTRS were increased pursuant to Assembly Bill 1469 (2014) (“AB 1469”) which was enacted in June 2014. The District’s employer contribution rate for Fiscal Year 2014-15 increased from 8.25% of covered payroll to 8.88% of covered payroll. Beginning in Fiscal Year 2015-16, the District’s employer contribution rate will have an increase of 1.85% of covered payroll each year from Fiscal Year 2014-15 through Fiscal Year 2018-19 and 0.97% during Fiscal Year 2019-20 until the employer contribution rate is 19.10% of covered payroll. Pursuant to AB 1469, employee contributions for employees who joined CalSTRS prior to the approval by the Governor of the State (the “Governor”) of PEPR, which established new retirement formulas for employees hired on or after January 1, 2013, will increase from 8.00% to 10.25% of covered payroll from Fiscal Year 2013-14 to Fiscal Year 2016-17. In addition, employee contributions for employees who joined CalSTRS after PEPR will increase from 8.00% to 9.205% of covered payroll from Fiscal Year 2013-14 to Fiscal Year 2016-17. The State Teachers Retirement Board is authorized to modify the percentages paid by employers and employees for Fiscal Year 2021–22 and each fiscal year thereafter in order to eliminate CalSTRS’ unfunded liability by June 30, 2046 based upon actuarial recommendations. Pursuant to AB 1469, the State’s contribution rates will increase from 3.041% to 6.328% from Fiscal Year 2013-14 to Fiscal Year 2016-17. See “District Financial Information – Retirement Systems – Pension Accounting and Financial Reporting Standards” and “State Budget – State

Budget Act – State Budget Act for Fiscal Year 2015-16” and “State Budget – Limitations on School District Reserves” herein.

The CalSTRS Comprehensive Annual Financial Report for Fiscal Year 2014-15 (the “2014-15 CalSTRS CAFR”) states that during Fiscal Year 2014-15, CalSTRS included 38,454 covered employees of the District in its State Teachers Retirement Program and 2,101 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 7.86% and 17.05% of covered employees in the State Teacher’s Retirement Program and Pension2 Program, respectively. Based on the “Schedule of Proportionate Share of Contributions for Employers and Nonemployer Contributing Entity for the Year ended June 30, 2015” prepared by CalSTRS, the District’s employer contribution to CalSTRS for Fiscal Year 2014-15 was approximately \$244.5 million which amount reflects approximately 5.932% of all employer contributions.

The following Table A-11 sets forth the District’s regular annual contributions to CalSTRS for Fiscal Years 2011-12 through 2014-15, the estimated contribution Fiscal Year 2015-16 respectively, and these contributions as a percentage of the District’s Total Governmental Funds expenditures for Fiscal Years 2011-12 through 2014-15. The District’s contributions from the General Fund are set forth in Table A-12 hereto. The District has always paid all required CalSTRS annual contributions. As of June 30, 2015, the District’s CAFR reports that 39,403 District employees were members of CalSTRS.

TABLE A-11

LOS ANGELES UNIFIED SCHOOL DISTRICT
Annual Regular CalSTRS Contributions
Fiscal Years 2011-12 through 2015-16
(\$ in millions)

Fiscal Year	District Contributions⁽¹⁾⁽²⁾	District Contribution as Percentage of Total Governmental Funds Expenditures
2011-12	\$225.0	2.66%
2012-13	213.5	2.69
2013-14	212.5	2.71
2014-15	245.5 ⁽³⁾	2.94
2015-16 ⁽⁴⁾	299.1	N/A

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

(2) Excludes employee contributions paid by the District.

(3) The District expects to reconcile with CALSTRS regarding the contribution amounts for fiscal year 2014-15.

(4) Estimated.

Sources: District contributions from the Los Angeles Unified School District Comprehensive Annual Financial Reports for Fiscal Years 2011-12 through 2014-15 and the District for the estimated contributions for Fiscal Year 2015-16 and percentage of Total Governmental Funds Expenditures for Fiscal Years 2011-12 through 2014-15.

The following Table A-12 sets forth the employer contribution rates for CalSTRS, including the contribution rates approved pursuant to AB 1469, the District's estimated total creditable compensation and the estimated total cost of these contributions to the District for the General Fund for Fiscal Years 2013-14 through 2020-21. The District is unable to predict what the amount of pension liabilities will be beyond the fiscal years set forth in AB 1469 or the amount the District will be required to pay for pension related costs, as these amounts are subject to future rate actions taken by CalSTRS. Accordingly, there can be no assurances that the District's required contributions to CalSTRS will not significantly increase in the future above levels currently approved under State law.

TABLE A-12

LOS ANGELES UNIFIED SCHOOL DISTRICT
CalSTRS Employer Rates, Estimated Total Creditable Compensations
and Estimated General Fund Costs⁽¹⁾
Fiscal Years 2014-15 through 2020-21
(\$ in millions)

Fiscal Year	CalSTRS Employer Rate	Total General Fund Certificated Salaries	General Fund CalSTRS Cost	Change due to CalSTRS Rate Change	Cumulative Change due to CalSTRS Rate Change
2014-15	8.88%	\$2,783	\$377	\$16	\$16
2015-16 ⁽²⁾	10.73	2,883	298	79	94
2016-17 ⁽²⁾	12.58	2,952	371	51	146
2017-18 ⁽³⁾	14.43	2,909	420	55	200
2018-19 ⁽³⁾	16.28	2,909	474	54	254
2019-20 ⁽³⁾	18.13	2,909	527	54	308
2020-21 ⁽³⁾	19.10	2,909	556	28	336

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

⁽²⁾ Reflects estimated total General Fund certificated salaries and General Fund CalSTRS. Estimates presented herein do not reflect certain key parameters and variables that are expected to impact actual costs including, among other things, such as changes in enrollment, the number of teachers that are pre-PEPRA and the number of teachers that are PEPRA employees.

⁽³⁾ Projections based on zero salary growth after Fiscal Year 2017-18 for total General Fund certificated salaries and General Fund CalSTRS Costs.

Sources: Los Angeles Unified School District Comprehensive Annual Financial Report for Fiscal Year 2014-15 and Fiscal Year 2015-16 Second Interim Report.

The UAAL and funded status of the CalSTRS pension fund as of June 30 of Fiscal Years ended June 30, 2010 through June 30, 2014 are set forth in the following Table A-13. The fair market value of the CalSTRS pension fund as of June 30, 2013 and June 30, 2014 was \$157.2 billion and \$179.7 billion, respectively, based on total system assets less amounts allocable to the CalSTRS Supplemental Benefits Maintenance Account Reserve. The individual funding progress for the District and the District's proportionate share of CalSTRS' net pension liability is set forth in the District's audited financial statements. See " – Pension Accounting and Financial Reporting Standards" herein and Appendix B – "Comprehensive Annual Financial Report of the District for the Fiscal Year ended June 30, 2015" attached hereto.

TABLE A-13

**Actuarial Value of State Teachers' Retirement Fund Defined Benefit Program
Valuation Dates June 30, 2010 through June 30, 2014
(\$ 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)
2010	\$196.315	\$140.291	\$123.242	\$56.024	71.5%	59.7%
2011	208.405	143.930	147.140	64.475	69.1	67.2
2012	215.189	144.232	143.118	70.957	67.0	62.7
2013	222.281	148.614	157.176	73.667	66.9	66.5
2014	231.213	158.495	179.749	72.718	68.5	73.3

⁽¹⁾ Actuarial Value of Assets and Fair Market Value of Assets does not include amounts allocable to the CalSTRS Supplemental Benefits Maintenance Account Reserve which was approximately \$9.27 billion as of June 30, 2013 and \$10.34 billion as of June 30, 2014.

Sources: California State Teachers' Retirement System Defined Benefit Program Actuarial Valuations as of June 30, 2010 through June 30, 2014.

Copies of the CalSTRS' comprehensive annual financial report may be obtained from CalSTRS, P.O. Box 15275, Sacramento, California 95851-0275. The information presented in these reports is not incorporated by reference in this Official Statement.

California Public Employees' Retirement System. CalPERS is a defined benefit plan that covers classified personnel who work four or more hours per day. Benefit provisions are established by State legislation in accordance with the Public Employees' Retirement Law. The contribution requirements of the plan members are established by State statute. The actuarial methods and assumptions used for determining the rates are based on those adopted by Board of Administration of CalPERS. The District's contributions for all members for Fiscal Years 2013-14 were in accordance with the required contribution rates calculated by CalPERS' actuary for each fiscal year. Classic plan members are required to contribute 7% (miscellaneous) or 9% (safety) of their monthly salary, and the District is required to contribute based on an actuarially determined rate. PEPRAs members are required to contribute 6% (miscellaneous) or 12.75% (safety) of their monthly salary, and the District is required to contribute based on an actuarially determined rate. The required employer contribution rates for Fiscal Year 2014-15 were 11.771% for miscellaneous members hired prior to January 1, 2013 and 30.845% for safety members. The required employer contribution rates for Fiscal Year 2015-16 are 11.847% for miscellaneous members hired prior to January 1, 2013 and 32.23% for safety members. Historically, the District paid the employee's contribution for most of the safety members and certain percentages miscellaneous members. The District's annual pension costs for Fiscal Years 2010-11 through 2014-15 were equal to the annual required contributions for such fiscal years and its net pension obligation to CalPERS for such fiscal years was \$0.

The following Table A-14 sets forth the District's regular annual contributions, inclusive of employee contributions paid by the District, to CalPERS for Fiscal Years 2011-12 through 2014-15, the estimated contribution for Fiscal Year 2015-16 and these contributions as a percentage of the District's Total Governmental Funds expenditures for Fiscal Years 2011-12 through 2014-15. The District has always paid all required CalPERS annual contributions. As of June 30, 2015, 26,369 District employees were members of CalPERS.

TABLE A-14

LOS ANGELES UNIFIED SCHOOL DISTRICT
Annual CalPERS Regular Contributions
Fiscal Years 2011-12 through 2015-16
(\$ in millions)

Fiscal Year	District Contributions⁽¹⁾⁽²⁾	District Contribution as Percentage of Total Governmental Funds Expenditures
2011-12	\$136.4	1.61%
2012-13	128.7	1.62
2013-14	131.2	1.67
2014-15	122.7	1.47
2015-16 ⁽³⁾	134.4	N/A

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

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

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

Sources: District contributions from the Los Angeles Unified School District Comprehensive Annual Financial Reports for Fiscal Years 2011-12 through 2014-15 and the District for the estimated contributions for Fiscal Year 2015-16 and percentage of Total Governmental Funds Expenditures for Fiscal Years 2011-12 through 2014-15.

In February 2014, the CalPERS Board of Administration adopted new actuarial assumptions based on the CalPERS Experience Study and Review of Actuarial Assumptions dated January 2014. To the extent that future experience differs from CalPERS' current actuarial assumptions and the assumed investment rate of return of 7.5%, the required employer contribution rates are expected to vary in the future. Accordingly, the District is unable to predict the amount of future State and employer funding towards CalPERS' liabilities or the amount of the contributions which the District may be required to make to CalPERS.

The following Table A-15 sets forth the District's estimates of the impact of the increased CalPERS rates on its contributions for Fiscal Years 2013-14 through 2016-17 for the District's General Fund.

TABLE A-15

**Estimated Impact of Increased CalPERS Rates on
Employer Cost for the District's General Fund⁽¹⁾
Fiscal Years 2013-14 through 2016-17
(\$ in millions)**

Fiscal Year	CalPERS Employer Rate (Miscellaneous)	CalPERS Employer Rate (Safety)	Total General Fund Classified Salaries	Estimated General Fund CalPERS Cost
2013-14	11.440%	31.821%	\$800	\$ 99
2014-15	11.771	30.845	847	94
2015-16	11.847	32.230	953	101
2016-17	13.050	** ⁽²⁾	961 ⁽³⁾	134

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

⁽²⁾ The District's employer contribution rates for safety employees for Fiscal Year 2016-17 are not yet available from CalPERS. The District has assumed annual increases in the CalPERS Employer Rate (Safety) to be proportional to the annual increases in the CalPERS Employer Rate (Miscellaneous) for fiscal years subsequent to Fiscal Year 2014-15.

⁽³⁾ Projections based on no salary growth after Fiscal Year 2016-17 for the total General Fund classified salaries and the estimated CalPERS cost from the General Fund.

Sources: Los Angeles Unified School District Comprehensive Annual Financial Report for Fiscal Years 2013-14 through Fiscal Year 2014-15 and Fiscal Year 2015-16 Second Interim Report.

CalPERS is operated on a Statewide basis and, based on publicly available information, has significant unfunded liabilities. The amounts of the pension/award benefit obligation or UAAL will vary from time to time depending upon actuarial assumptions, and actual rates of return on investments, salary scales, and levels of contribution. The market value of the schools portion of the CalPERS pension fund as of June 30, 2013 and June 30, 2014 was \$49.5 billion and \$56.8 billion, respectively. As of June 30, 2015, the District reported a net pension liability of \$1.1 billion for its proportionate share of the net pension liability of the Miscellaneous Plan. The net pension liability of the Miscellaneous Plan was measured by CalPERS as of June 30, 2014, 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, 2013 updated to June 30, 2014. The District's proportion of the net pension liability was based on the Fiscal Year 2013-14 employer contributions calculated by CalPERS. As of June 30, 2015, the District's proportion of the CalPERS net pension liability was approximately 9.3936%. See " - Pension Accounting and Financial Reporting Standards" herein and Note 9 to the audited financial statements of the District contained in Appendix B – "Comprehensive Annual Financial Report of the District for the Fiscal Year ended June 30, 2015" attached hereto

The actuarial funding method used in the CalPERS Schools Pool Actuarial Valuation as of June 30, 2014 is the "Individual Entry Age Normal Cost Method". The CalPERS Schools Pool Actuarial Valuation as of June 30, 2014 assumes, among other things, a 7.50% investment rate of return (net of administrative expenses), projected 2.75% inflation, and projected payroll growth of 3.00% compounded annually. The UAAL and funded status of the schools portion of CalPERS as of June 30 of Fiscal Years ended June 30, 2010 through June 30, 2014 are set forth in the following Table A-16.

TABLE A-16
Actuarial Value of Schools Portion of CalPERS
Historical Funding Status
Valuation Dates June 30, 2010 through June 30, 2014
(\$ 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
2010	\$55,306.96	\$38,435.17	69.5%	\$16,871.79	\$11,283.40	149.5%
2011	58,358.41	45,900.99	78.7	12,457.42	10,540.43	118.2
2012	59,439.13	44,853.80	75.5	14,585.33	10,242.25	142.4
2013	61,487.18	49,481.90	80.5	12,005.28	10,423.82	115.2
2014	65,599.71	56,838.24	86.6	8,761.47	11,293.82	77.6

Source: CalPERS Schools Pool Actuarial Valuation as of June 30, 2014.

The CalPERS Safety Plan of the Los Angeles Unified School District (Employer # 3614620780) Annual Valuation Report as of June 30, 2014 uses the “Entry Age Normal Cost Method” as the actuarial funding method and assumes, among other things, a 7.5% investment rate of return (net of administrative expenses), projected annual salary increases based on category, entry age, and duration of service, projected 2.75% inflation compounded annually and projected payroll growth of 3.00% compounded annually. The UAAL and funded status of the District’s Safety Plan, which is an individual component of CalPERS, as of June 30 of Fiscal Years ended June 30, 2010 through June 30, 2014, are set forth in the following Table A-17.

TABLE A-17
CalPERS Actuarial Value of LAUSD Safety Plan⁽¹⁾
Historical Funding Status
Valuation Dates June 30, 2010 through June 30, 2014

Valuation Date (June 30)	Accrued Liability	Market Value of Assets⁽²⁾	Unfunded Liability	Funded Ratio	Annual Covered Payroll
2010	\$249,235,744	\$158,889,662	\$90,346,082	63.8%	\$23,550,230
2011	258,517,618	191,661,625	66,855,993	74.1	24,676,608
2012	266,875,028	190,588,886	76,286,142	71.4	24,937,992
2013	277,736,785	212,659,399	65,077,386	76.6	25,449,254
2014	310,494,864	248,561,484	61,933,380	80.1	26,586,255

⁽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-17 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, 2014.

CalPERS issues a comprehensive annual financial report and actuarial valuations that include financial statements and required supplementary information. Copies of the CalPERS CAFR and actuarial valuations may be obtained from the CalPERS Financial Services Division, P.O. Box 942703, Sacramento, California 94229-2703. The information set forth therein is not incorporated by reference in this Official Statement.

Public Agency Retirement System. On July 1, 1992, the District joined the Public Agency Retirement System (“PARS”), a multiple-employer retirement trust. This defined contribution plan covers the District’s part-time, seasonal, temporary and other employees not otherwise covered by CalPERS or CalSTRS, but whose salaries would otherwise be subject to Social Security tax. Benefit provisions and other requirements are established by District management based on agreements with various bargaining units.

The District is unable to predict the amount of the contributions which the District may be required to make to PARS in the future. Accordingly, there can be no assurances that the District’s required contributions to PARS will not significantly increase in the future above current levels. The District has always paid all required PARS annual contributions.

The following Table A-18 sets forth the District’s annual contributions to PARS for Fiscal Years 2011-12 through 2014-15, the estimated annual contribution to PARS for Fiscal Year 2015-16 and the contributions as a percentage of the District’s Total Governmental Funds expenditures for Fiscal Years 2011-12 through 2014-15. As of June 30, 2015, 29,385 District employees were members of PARS.

TABLE A-18
LOS ANGELES UNIFIED SCHOOL DISTRICT
Annual PARS Contribution
Fiscal Years 2011-12 through 2015-16
(\$ in millions)

Fiscal Year	District Contributions⁽¹⁾⁽²⁾	District Contribution as Percentage of Total Governmental Funds Expenditures
2011-12	\$4.5	0.04%
2012-13	3.8	0.05
2013-14	4.9	0.06
2014-15	5.4	0.06
2015-16 ⁽³⁾	5.9	N/A

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

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

⁽³⁾ Estimated.

Sources: District contributions from the Los Angeles Unified School District Comprehensive Annual Financial Reports for Fiscal Years 2011-12 through 2014-15 and the District for the estimated contribution for Fiscal Year 2015-16 and percentage of Total Governmental Funds Expenditures for Fiscal Years 2010-11 2014-15.

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 PEPRAs Employees that exceed the benefits provided thereunder. PEPRAs 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. PEPRAs applies to all public employers except the University of California, charter cities and charter counties. However, PEPRAs is applicable to those entities which contract with CalPERS.

PEPRAs 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, PEPRAs 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. PEPRAs requires employers to complete a good faith bargaining process as required by law prior to implementing changes regarding the contribution requirements. The changes to required contribution requirements will go into effect on January 1, 2018 unless the employer and the affected bargaining unit have reached an agreement in accordance with PEPRAs. See “District Financial Information – Employees and Labor Relations – Labor Agreements” herein.

In addition, PEPRAs amends existing laws to redefine final compensation for purposes of pension benefits for PEPRAs Employees. Further, PEPRAs permits certain public employers who have offered a lower defined benefit retirement plan before January 1, 2013 to continue to offer such plan to PEPRAs Employees. However, if a public employer adopts a new defined benefit plan on or after January 1, 2013, such plan will be subject to PEPRAs 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 PEPRAs.

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

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

Other Postemployment Benefits

General. In addition to employee health care costs, the District provides postemployment health care benefits in accordance with collective bargaining agreements. As of July 1, 2015, there are approximately 37,553 retirees and 60,982 active employees who meet the eligibility requirements for

these benefits. Historically, the District has funded these benefits on a pay-as-you-go basis, paying an amount in each fiscal year equal to the benefits distributed or disbursed in that fiscal year. Beginning in Fiscal Year 2013-14, the policy of the District directs the District to prefund a portion of its OPEB costs for employees, retirees and their beneficiaries by allocating funds for the express purpose of funding future other postemployment benefit costs to the extent possible. See “District Financial Information – District Financial Policies – Budget and Finance Policy – Liability Reserves” herein. The District Board approved the creation of the OPEB Trust Fund in May 2014. To date, the District has contributed \$135.0 million to the OPEB Trust Fund. The District expects to make an additional contribution of \$6 million to the OPEB Trust Fund in March 2016. See “District Financial Information – District Budget” and “District Financial Information – Employees and Labor Relations – Health Benefits Agreement” herein.

The following Table A-19 sets forth the District’s funding of other postemployment benefits for Fiscal Years 2011-12 through 2014-15, the estimated contribution for Fiscal Year 2015-16 set forth in the Fiscal Year 2015-16 District Final Adopted Budget and the contributions as a percentage of the District’s Total Governmental Funds expenditures for Fiscal Years 2011-12 through 2014-15. In addition, Table A-19 sets forth the District’s contribution to the OPEB Trust for Fiscal Year 2013-14 and 2014-15 and the projected contribution to the OPEB Trust Fund for Fiscal Year 2015-16. See “District Financial Information – Collective Bargaining – Health Benefits Agreement” herein.

TABLE A-19

LOS ANGELES UNIFIED SCHOOL DISTRICT
Expenditures for Other Postemployment Benefits
Fiscal Years 2011-12 through 2015-16
(\$ in millions)

Fiscal Year	Amount	OPEB Trust Fund Contribution	Pay as You Go Amount	Expenditure as Percentage of Total Governmental Funds Expenditures
2011-12 ⁽¹⁾	\$228.7	--	\$228.7	2.71%
2012-13 ⁽¹⁾	245.4	--	245.4	3.09
2013-14	326.9	\$60.0 ⁽²⁾	266.9	4.17
2014-15	310.7	30.0	280.7	3.72
2015-16 ⁽³⁾	344.0	51.0	293.0	N/A

⁽¹⁾ Pay as you go.

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

⁽³⁾ Estimated. Includes the additional contribution of \$6 million to the OPEB Trust Fund that the District expects to make in March 2016.

Sources: District OPEB expenditures from the Los Angeles Unified School District Comprehensive Annual Financial Reports for Fiscal Years 2012-13 through 2014-15, the Fiscal Year 2015-16 Second Interim Report and the District.

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

useful in assessing potential demands on the employer's future cash flows. The District's postemployment health benefits fall under GASB 45 and are reported in accordance therewith.

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

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

1. Measurement Date: July 1, 2015
2. Actuarial Cost Method: Entry Age Normal Cost method with amortization of the unfunded liability over an open 30-year period with a level percentage of pay amortization amounts (assuming 3.0% annual increase).
3. Economic Assumptions:
 - a. Discount Rate: 4.70% (based on the assumption that the District will fund 13% of the pre-funded portion of the ARC in the CalPERS' California Employers' Retiree Benefit Trust Asset Allocation Strategy 1 fund) based on a blend of the following rates:
 - (i) Unfunded Rate: The actuary assumed an unfunded rate of return of 4.30% on general District funds
 - (ii) Fully funded rate: The actuary assumed a rate of return of 7.28% on CalPERS' CERBT Asset Allocation Strategy 1.
 - (iii) Partial Funding: The percent of partial funding was determined based on the calculation of: (expected employer contribution in excess of the pay-as-you-go cost) / (ARC at the fully funded discount rate - pay as you go cost).
 - b. Inflation: 2.75% per annum
 - c. Salary Scale: Rates developed in the 1997-2011 CalPERS Experience Study
4. Demographic Assumptions
 - a. Mortality: Mortality rates were developed based on the most recent CalSTRS valuation and the 1997-2011 CalPERS Experience Study;
 - b. Turnover: Turnover rates developed based on the most recent CalSTRS valuation and the 1997-2011 CalPERS Experience Study;
 - c. Retirement: Age-based ranges (retirement rates were developed based on the most recent CalSTRS valuation and 1997-2011 CalPERS Experience Study for School 2% @ 55 participants);
 - d. Disability Retirement: Disability rates were developed based on the most recent CalSTRS valuation;
 - e. Annual Health Inflation: The health trend rate represents the long-term expected growth of medical benefits paid by the plan due to non-age-related factors such as, among other things, general medical inflation, utilization rates, new technology, health care reform changes for Medicare Advantage plans and excise taxes;
 - f. Plan Participation: The actuary assumed 100% of future eligible retirees will elect coverage;
 - g. Dependent assumptions: The actuary assumed 40% of future retirees will be married and elect employee plus one coverage for Medi-Cal, and 45% of future

retiree will select employee plus one coverage for dental. Male retirees are assumed to be five years older than their female spouses. Female retirees are assumed to be two years younger than their male spouses;

- h. Monthly Premiums applicable to Retirees: Rates based on 2015 composite premium rates; and
- i. 2015-2016 Base Year Claims: The actuary developed age graded pre-Medicare Claims based on composite premiums and used post-Medicare eligibility and actual premium rates.

The Patient Protection and Affordable Care Act and the Health Care and Education Reconciliation Act of 2010 (collectively, the “Affordable Care Act”) were signed into law in March 2010. See Note 8 to the audited financial statements of the District contained in Appendix B – “Comprehensive Annual Financial Report of the District for the Fiscal Year ended June 30, 2015” attached hereto. The 2015 Postretirement Valuation included the estimated impact of the Affordable Care Act and valued provisions including, among other things, reduced funding on Medicare advantage plans by the federal government, industry tax on fully insured plans, and excise taxes on high cost plans. With the exception of the excise tax, the District’s actuary states that health care reform is reflected in the 2015 Postretirement Valuation through development of per capita claims. Based on information as of the date of the 2015 Postretirement Valuation, the actuary does not expect the other provisions of the Affordable Care Act to impact the results of the 2015 Postretirement Valuation.

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

The 2015 Postretirement Valuation recommended an annual required contribution (“ARC”) of approximately \$1.07 billion for Fiscal Year 2015-16, which amount is approximately 23.3% of the District’s payroll at the July 1, 2015 valuation date. The recommended ARC for Fiscal Year 2015-16 reflects an increase of approximately \$166.57 million from the recommended ARC for Fiscal Year 2014-15 due to, among other things, an increase in the AAL as of July 1, 2016 from July 1, 2015. The Actuarial Consultant states that the increase in AAL is due to, among other things, the accrual of additional benefits by active participants, decreases in the discounting period for benefit payments, a decrease in the assumed discount rate, and revised demographic assumptions. The “pay-as-you-go” cost of providing postemployment benefits is projected to be \$287.70 million as of June 30, 2015. Accordingly, the District’s net OPEB obligation as of July 1, 2015 was estimated to be \$5.97 billion. Net OPEB Obligation is the cumulative difference between the Annual OPEB Cost to the District of the postemployment benefit plan and the actual contribution in a particular year. Annual OPEB Cost is equal to (i) the ARC, (ii) one year’s interest on the Net OPEB Obligation, and (iii) an adjustment to the ARC to offset, approximately, the amount included in item (i) for amortization of the past contribution deficiencies.

Table A-20 below sets forth the District's ARC, annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation for Fiscal Years 2010-11 through 2015-16.

TABLE A-20

LOS ANGELES UNIFIED SCHOOL DISTRICT
Annual Required Contributions, OPEB Costs and Net OPEB Obligations
Fiscal Years 2010-11 through 2015-16
(\$ in thousands)

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

⁽¹⁾ Reflects actuarial valuations prepared by Buck Consultants.

⁽²⁾ Reflects actuarial valuations prepared by Aon Hewitt.

⁽³⁾ Actual contributions for Fiscal Year 2010-11 through 2014-15 as set forth in the Comprehensive Annual Financial Report for such fiscal years.

⁽⁴⁾ Includes OPEB Trust Contributions of \$60 million in July 2014, \$30 million in September 2014, and \$45 million in September 2015. The District expects to make an additional contribution of \$6 million to the OPEB Trust Fund in March 2016.

Sources: District's Comprehensive Annual Financial Report for Fiscal Year 2010-11 through 2014-15; 2015 Postretirement Valuation.

Table A-21 below sets forth the schedule of OPEB funding progress as of July 1, 2009, July 1, 2011, July 1, 2013 and July 1, 2015.

TABLE A-21

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

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

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

Source: 2015 Postretirement Valuation.

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

For additional information regarding the District's OPEB, see Appendix B – "Comprehensive Annual Financial Report of the District for the Fiscal Year ended June 30, 2015" attached hereto.

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

Risk Management and Litigation

General. The District maintains various excess property, casualty and fidelity insurance programs, which are self-insured, with varying self-insured retentions. The District's excess property coverage is provided currently through its membership in the Public Entity Property Insurance Program ("PEPIP"), an insurance pool comprised of certain cities, counties and school districts. The District maintains excess property insurance on all District facilities under a combination of self-insurance retentions and varying sublimits through the excess insurance policies of PEPIP. The current self-insured retention for fire loss damage for excess property coverage is \$500,000 per occurrence and the aggregate policy limit is \$1 billion. The District maintains what it considers to be adequate reserves to cover losses within the self-insurance retention. District General Fund resources are used to pay for property loss insurance and uninsured repairs for property damage. In addition to the above excess property policies, the District purchases a separate boiler and machinery policy with \$100 million in occurrence limits and a Fidelity crime coverage with \$5 million in occurrence limits.

Excess property insurance is maintained through a combination of excess policies with an occurrence limit of \$1 billion. Coverage in aggregate above a \$500,000 self-insurance retention and for general liability which currently provides \$40 million coverage above a \$5 million self-insurance retention. No settlements exceeded insurance coverage in Fiscal Years 2010-11 through 2014-15. The District maintains reserves that it believes are adequate to cover losses within the self-insured retention.

Prior to Fiscal Year 2013-14, the District's liability coverage generally included coverage for sexual misconduct and molestation. Liability coverage beginning in Fiscal Year 2013-14 does not include this coverage because the District has determined that it is not available at reasonable rates from

any insurance provider. In March 2014, the District Board approved a joint powers authority agreement by and between the District and the Los Angeles Trust Children's Health Inc. to establish the Los Angeles Unified School District Risk Management Authority (the "Risk Management Authority") which became effective July 1, 2014. The Risk Management Authority allows the District to purchase reinsurance for excess liability coverage for incidents such as sexual misconduct and molestation. The Risk Management Authority will be capitalized by the District and will provide an insurance program for the District and the Los Angeles Trust Children's Health Inc. The Risk Management Authority allows the District to purchase reinsurance for excess liability coverage which is not presently available to self-insured public agencies such as the District. See "District Financial Information - Risk Management and Litigation – Events Regarding Suspended and Former District Employees" herein.

The District believes that the amounts currently reserved for potential liabilities attributable to claims of molestation and sexual misconduct are adequate. See "District Financial Information - Risk Management and Litigation– Events Regarding Suspended and Former District Employees" herein. The District will increase the expenditures projected in its budget and interim financial reports if necessary and only to the extent that the District's liabilities exceed the amount budgeted for self-insurance or current excess liability coverage. The District expects that such an increase will occur if claims relating to sexual misconduct by former and suspended District employees exceed the amount reserved for settlements and monetary damages to date. See "District Financial Information - Risk Management and Litigation – Events Regarding Suspended and Former District Employees" herein. Such liabilities could decrease the District's net position as of June 30, 2015 from the amount set forth in the District's financial statements for Fiscal Year 2014-15. See Appendix B – "Comprehensive Annual Financial Report of the District for the Fiscal Year ended June 30, 2015" attached hereto.

Liabilities for loss and loss adjustment expenses under each of the District's insurance programs include the accumulation of estimates for losses reported prior to the balance sheet date, estimates of losses incurred but not reported and estimates of expenses for investigating and adjusting reported and unreported losses. Such liabilities are estimates of the future expected settlements and are based upon analysis of historical patterns of the number of incurred claims and their values. The District believes that, given the inherent variability in any such estimates, the aggregate liabilities are within a reasonable range of adequacy. Individual reserves are continually monitored and reviewed, and, as settlements are made or reserves adjusted, differences are reflected in current operations. See Appendix B – "Comprehensive Annual Financial Report of the District for the Fiscal Year ended June 30, 2015" attached hereto.

Workers' Compensation. The District is self-insured for its Workers' Compensation Program. Separate funds are used to account for amounts set aside to pay claims incurred and related expenditures under the respective insurance programs. The amount required to be on deposit in the Workers' Compensation Fund is established with information from an independent actuary. See "District Financial Information – District Financial Policies – Budget and Finance Policy – Liability Reserves" herein. The District's most recent actuarial report regarding its workers' compensation program, the "Actuarial Analysis of Self-Insured Workers' Compensation Program" dated as of December 31, 2014, recommended a minimum funding level between \$83.5 million (discounted at 2.5%) and \$93.8 million (undiscounted) for Fiscal Year 2015-16. The following Table A-22 sets forth the actuary's recommended the minimum funding levels for workers' compensation set forth in the most recent actuarial report covering the period as of December 31, 2014.

TABLE A-22

LOS ANGELES UNIFIED SCHOOL DISTRICT
Minimum Recommended Funding Levels
Workers' Compensation
Fiscal Years 2015-16 through 2017-18

Fiscal Year	Minimum Recommended Funding Level (Undiscounted)	Minimum Recommended Funding Level (Discounted at 2.5%)
2015-16	\$93,775,765	\$83,535,451
2016-17	94,242,311	83,951,051
2017-18	94,708,857	84,366,650

Source: Los Angeles Unified School District Actuarial Analysis of Self-Insured Workers' Compensation Program as of December 31, 2014.

The following Table A-23 sets forth information on changes in the Workers Compensation Program's liabilities from Fiscal Years 2010-11 through 2014-15. The District uses separate funds to account for amounts set aside to pay claims incurred and related expenditures under the respective insurance programs. See "District Financial Information – District Financial Policies – Budget and Finance Policy – Liability Reserves" herein and Note 9 in the audited financial statements for Fiscal Year 2013-14 set forth in Appendix B hereto.

TABLE A-23

LOS ANGELES UNIFIED SCHOOL DISTRICT
Workers' Compensation Claims Paid
Fiscal Years 2010-11 through 2014-15
(\$ in millions)

Fiscal Year	Liability: Beginning of Fiscal Year	Current Year Claims and Changes in Estimates	Claims Paid	Liability: End of Fiscal Year
2010-11	\$452.4	\$ 66.5	\$ (88.1)	\$430.8
2011-12	430.8	98.4	(95.3)	434.0
2012-13	434.0	89.3	(102.4)	420.8
2013-14	420.8	98.6	(97.9)	421.5
2014-15	421.5	162.6	(100.0)	484.1

Sources: Los Angeles Unified School District Comprehensive Annual Financial Reports for Fiscal Years 2011-12 through 2014-15.

Pollution Legal Liability Policy. The District purchased through the American International Group's ("AIG") companies a pollution legal liability ("PLL") policy with coverage of \$50 million for each incident, with an aggregate of \$100 million (coverage period of August 11, 1999 through August 11, 2019). The District filed a lawsuit in Los Angeles County Superior Court in March 2006 against AIG alleging the insurance carrier committed acts of bad faith for failure to honor claims incurred during the PLL policy period. Pursuant to a settlement agreement by and between the District and AIG, AIG is required to pay to the District \$78,750,000 from Fiscal Year 2011-12 to Fiscal Year 2021-22, of which approximately \$50.5 million has been paid to District as of June 30, 2015.

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

Litigation Regarding State Funding of School Districts. On July 13, 2010, 18 individual students and their respective families, three taxpayer citizens, the Campaign for Quality Education, the Alliance of Californians for Community Empowerment, Californians for Justice and the San Francisco Organizing Project filed a complaint for declaratory and injunctive relief, entitled *Campaign for Quality Education, et al., v. State of California and Arnold Schwarzenegger, Governor of the State of California*, (the “CQE Complaint”) in the Alameda County Superior Court. The CQE Complaint alleged, among other things, that the State violated its constitutional duties by failing to provide the individual plaintiffs’ school districts with sufficient funds and access to a meaningful education and sought declaratory and injunctive relief. The District is not a party in the CQE Complaint. In June 2011, the Alameda County Superior Court sustained the State’s demurrer to the lawsuit with leave to amend. The plaintiffs are currently appealing this ruling.

The District cannot predict whether the plaintiffs in the CQE Complaint will be successful on appeal, and if so, how a final court decision will affect the financial status of the District.

Litigation Regarding District Layoff Procedures. A complaint for injunctive and declaratory relief was filed on February 24, 2010 in the Los Angeles County Superior Court against the District and the State entitled *Reed, et al. v. State of California and the Los Angeles Unified School District, et al.* The plaintiffs, students at three middle schools within the District at the time of the complaint, alleged that the State’s and the District’s budgetary measures resulted in increased layoffs and use of substitute teachers at the schools named therein that were disproportionate to other schools within the District. As a result, the complaint alleged, the plaintiffs had been deprived of educational equality. Among other relief, the plaintiffs sought declaratory relief that the State and the District had violated their rights under the State Constitution and the State Government Code and injunctive relief prohibiting the defendants from implementing future layoffs of teachers at the schools named therein that were disproportionate to other schools within the District or hindering the ability of the schools to maintain an effective corps of teachers. The District reached an agreement with UTLA and the Partnership for Los Angeles Schools in the *Reed* litigation in April 2014. In accordance with the settlement agreement, the District will provide administrative and teacher support to 37 of the District’s schools.

A complaint for declaratory and injunctive relief was filed on May 14, 2012 against the District and other named parties entitled *Vergara, et al. v. State of California, et al.* (the “*Vergara* Complaint”) in the Los Angeles County Superior Court. The plaintiffs, who are public school and public charter school students in the District and Alum Rock Union School District, allege that the hiring and continued employment of grossly ineffective teachers in the State public school system is the direct result of the

continued enforcement of Education Code Sections 44929.21(b), 44934, 44938(b)(1), 44938(b)(2), 44944 and 44955 (collectively, the “Challenged Statutes”). The plaintiffs alleged that the continued enforcement of the Challenged Statutes causes negative impacts on students’ education, infringe upon California students’ right to education and cause disparate impacts from classroom to classroom and school to school. Further, the plaintiffs alleged that the Challenged Statutes prevent administrators from making employment and dismissal decisions that benefit students due to, among other things, the cost to terminate ineffective teachers, the difficulty, complexity, and length of time associated with the removal process and the seniority basis of the layoff system. The District was dismissed from the lawsuit in 2013. In June 2014, the Superior Court of the State of California issued a decision which held that the provisions of the Challenged Statutes with respect to permanent employment, teacher dismissal, and the process pursuant to which the last-hired teacher is the first to be fired when layoffs occur violate the equal protection clause of the State Constitution. In addition, the Superior Court held that the Challenged Statutes disproportionately affect poor and minority students. The Superior Court stayed the injunction of the Challenged Statutes pending appellate review. The District cannot predict the outcome of or remedy imposed by any appellate review with respect to the Challenged Statutes, how any final court decision with respect to the *Vergara* Complaint would affect the financial status of the District, or the responses, if any, of the State Legislature and the Governor. 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.

A class action complaint and an individual complaint for declaratory and injunctive relief and general and special damages were filed on October 2015 against the District, former Superintendent Ramon C. Cortines, in his individual capacity, and other named parties entitled *Rafe Esquith vs. Los Angeles Unified School District, et al.* (collectively, the “*Esquith Class Complaint*”) in the Los Angeles County Superior Court. The *Esquith Class Complaint* alleges that Rafe Esquith, a teacher who was ultimately discharged by the District, and other members of the class described therein were denied due process under the United States Constitution and State law when the District accused them of misconduct and, during the resulting investigation, removed such personnel from classrooms and assigned them to off-campus administration buildings. The petitioners claim, among other things, that the District deprived them of their right to practice their profession and deprived them of post-retirement benefits. In addition, the petitioners have alleged age discrimination, whistleblower retaliation, and wrongful discharge in violation of public policy. The petitioners seek injunctive relief to prevent the alleged practices set forth in the *Esquith Class Complaint* and general and special damages in the aggregate amount of \$1 billion. The District cannot predict the outcome of or remedy imposed by any court with respect to *Esquith Class Complaint* or how any final court decision with respect to the *Esquith Class Complaint* would affect the financial status of the District. However, the District does not expect any decision to adversely affect the ability of the District to pay the principal of and interest on the Bonds as and when due.

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

On June 12, 2012, the Superior Court ruled that the District did not currently comply with the requirements of the Stull Act with respect to student progress towards State and local standards and teacher evaluations. The District entered into separate agreements with the UTLA and AALA (collectively, the “Stull Act Agreements”) regarding the implementation of evaluation procedures for certificated employees. Pursuant to the Stull Act Agreements, the District must measure student growth and progress using State-adopted, criterion-referenced student testing results under the California State Testing program. The District, UTLA and AALA are implementing the statutory requirements identified by the Superior Court and the Stull Act Agreements. On June 18, 2013, UTLA filed a charge with the Public Employee Relations Board (“PERB”) which alleged that the District unilaterally implemented a four-level evaluation rating policy. In June 2014, the District and UTLA presented the matter to the PERB for consideration. On December 24, 2014, the Administrative Law Judge provided his decision which ruled in favor of the District on some matters and ruled in favor of UTLA on others. The District is appealing the ruling and will continue with the current new evaluation until the appeal process is exhausted and a final decision is made.

Litigation regarding Charter School Funding. A complaint alleging breach of settlement agreement and violation of Proposition 39 and seeking specific performance, permanent injunction, appointment of special master, and declaratory relief was filed in May 2010 against the District, the District Board, and former Superintendent Ramon Cortines, in his capacity as Superintendent, by the California Charter Schools Association (“CCSA”) entitled *California Charter Schools Association vs. Los Angeles Unified School District, et. al.* (the “CCSA Complaint”). The CCSA Complaint alleged, among other things, that the District failed to comply with a settlement agreement approved in 2008 by the District and CCSA (the “Settlement Agreement”). The Settlement Agreement addressed the District’s compliance with Proposition 39 and the Education Code. The Education Code requires that each school district make available, to each charter school operating in the school district, facilities sufficient for the charter school to accommodate all of the charter school’s in-district students in conditions reasonably equivalent to those in which the students would be accommodated if they were attending other public schools of the district. Further, the Education Code mandates that such facilities provided shall be contiguous, furnished, and equipped, and shall remain the property of the school district. In addition, the school district is required to make reasonable efforts to provide the charter school with facilities near to where the charter school wishes to locate and shall not move the charter school unnecessarily. The Settlement Agreement also addressed the District’s alternative dispute resolution process relating to such facilities requirements. The petitioners further alleged that the District had not replaced previous District policies with respect to Proposition 39 or completed an inventory of available school facilities in accordance with the Settlement Agreement. In addition, the petitioners alleged that the District did not provide to charter school students the same ADA/classroom ratio as the District provided to school district students attending comparison group schools. In June 2012, the Superior Court ruled that the District’s use of norming ratios to calculate the number of classrooms to provide to charter schools violated the California Code of Regulations.

In December 2012, the California Court of Appeal for the Second Appellate District held that the District’s use of norming ratios to calculate available classrooms was consistent with the intent of Proposition 39. In May 2015, the California Supreme Court held that, in responding to a charter school’s request for classroom space, a school district must identify comparison group schools as prescribed by the California Code of Regulations, count the number of classrooms in the comparison group schools and adjust the number to reflect those classrooms provided to students in the comparison group schools, and use the resulting number as the denominator in the ADA/classroom ratio for allocating classrooms to charter schools based on their projected ADA. The California Supreme Court stated that the District’s use of norming ratios departed from the required procedure by failing to use comparison group schools and by equating classrooms provided to students with classrooms staffed by teachers. Further, the California

Supreme Court directed that, in responding to future facilities requests, the District must count classrooms in a manner that conforms to the California Code of Regulations.

A petition for writ of mandate and complaint for reverse validation, taxpayer action, school bond action, declaratory relief and injunctive relief was filed in January 2016 against the District, Michelle King, in her capacity as Superintendent, and all persons interested in the matter of the validity of the November 20, 2015 Board of Education Decision to Update the School Upgrade Program and Reallocate Bond Program Funds entitled *California Charter Schools Association v. Los Angeles Unified Schools District, et. al.* (the “CCSA Measure Q Complaint”). In the CCSA Measure Q Complaint, CCSA has alleged that the District originally allocated \$450 million of the \$7 billion Measure Q Authorization for charter school facilities. CCSA alleges that, subsequent to the approval of Measure Q, the District reallocated nearly fifty percent of such allocation away from charter schools. The CCSA Measure Q Complaint claims that the reallocation of Measure Q bond proceeds occurred in connection with the approval of and updates to the District’s School Upgrade Program and the related spending targets and the implementation of a consent decree related to the Americans with Disabilities Act and the Individuals with Disabilities Education Act. CCSA is seeking a judicial determination that the District improperly reallocated funds designated for charter schools in the amounts of \$48 million in January 2014, \$88 million in September 2015 and \$88 million in November 2015.

CCSA is seeking a writ of mandate to compel the District to provide additional documents in connection with the allocation of funds for school facilities based on, among other things, the belief that the District has not complied with public records provisions of the Government Code. In addition, CCSA has requested that the court find the alleged reallocations from charter schools unlawful and invalidate such actions. Further, CCSA has requested that the court enjoin the District, the District Board and the Superintendent from taking any actions in reliance on and in furtherance of the alleged reallocation of Measure Q bond proceeds for charter schools. The District cannot predict the outcome of or remedy imposed by any court with respect to the CCSA Measure Q Complaint. However, the District does not expect any decision to adversely affect the ability of the District to pay the principal of and interest on the Bonds as and when due.

Litigation regarding the Local Control Funding Formula. A complaint for declaratory and injunctive relief and petition for writ of mandate was filed in July 2015 against the District, former Superintendent Ramon C. Cortines, in his official capacity as Superintendent, and Arturo Delgado, in his official capacity as the Los Angeles County Superintendent of Schools (collectively, the “Respondents”), entitled *California Coalition of South Los Angeles and Reyna Frias v. Los Angeles Unified School District, et. al.* (the “Frias Complaint”) in the Los Angeles County Superior Court. The petitioners alleged in the *Frias* Complaint that the District violated the Education Code and LCFF regulations by, among other things, counting \$450 million of expenditures for special education services in its estimate of funds expended on Unduplicated Pupils in Fiscal Year 2013-14. The petitioners claim that special education services may not be considered services for Unduplicated Pupils and the use of special education expenditures as a component of the expenditures for Unduplicated Pupils is erroneous. Further, the petitioners allege that such calculations impact all calculations for subsequent years. In addition, the petitioners have sought a writ a mandate based on their allegation that the District has violated its mandatory duties under the California Code of Regulations and the Education Code to properly estimate the amount of funds expended on services for Unduplicated Pupils. Petitioners believe that there is a regulatory distinction between services provided for Unduplicated Pupils and services provided for all pupils.

The District submitted its initial LCAP to LACOE in July 2014 and has submitted all subsequent required LCAPs to LACOE. The County Superintendent has approved all LCAPs submitted by the

District. See “State Funding of School Districts – Local Control Funding Formula – Local Control Accountability Plan” herein. Nevertheless, the petitioners allege that the County Superintendent violated his mandated legal duties to reject the District’s LCAP on the grounds that it allegedly did not comport with the California Code of Regulations and the Education Code. The petitioners seek, among other things, a declaratory judgment that the District’s conduct violates the California Code of regulations and the Education Code and have requested that the court issue an order prohibiting the Respondents and all those acting in concert with the Respondents from using the policies and practices challenged in the *Frias* Complaint. The Education Code provides that school districts must provide a remedy to all affected pupils in the event the school district, the county superintendent or State Superintendent of Public Instruction finds merit in an appeal that an LCAP does not comply with the Education Code. The District cannot predict the outcome of or remedy imposed by any court with respect to the *Frias* Complaint or the responses, if any, of the Los Angeles County Superintendent of Schools or the State Superintendent of Public Instruction. 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.

Events Regarding Suspended and Former District Employees. In response to claims of sexual misconduct alleged to have been committed by former District personnel, the District imposed disciplinary actions upon such personnel, including, among other things, suspending and terminating such personnel in accordance with District policy. In connection with allegations of misconduct by current and former District personnel, the District entered into a \$30 million settlement agreement in March 2013 and a \$139 million settlement agreement in November 2014 which directed the District to establish funds and make appropriations for the claimants named therein relating to health, education, monetary compensation.

The District has received and could receive additional complaints seeking declaratory, injunctive, and monetary relief relating to allegations of misconduct by current and former employees. The District’s potential liabilities could exceed the amounts which are currently recognized and the probable amount of contingent liabilities for which the District has set aside reserves based upon an independent third-party actuarial analysis. The Fiscal Year 2015-16 First Interim Report estimated that the District would require a reserve for outstanding liabilities relating to misconduct of approximately \$62.4 million. In connection with the Fiscal Year 2015-16 Second Interim Report, the District projects that an additional \$79.4 million will be reserved for settlement agreements and legal costs. See “District Financial Information – District Budget and Interim Financial Estimates” herein. However, the District cannot predict whether any plaintiffs in any pending complaints will prevail, and if so, how any final court decision or settlement agreement with respect to any lawsuit may affect the financial status, policies or operations of the District, as the nature of any court’s remedy and the responses thereto are unknown at the present time. The costs of any final court decision or settlement agreement could be substantial and materially greater than the amounts proposed under the pending settlement agreements. However, the District does not expect any decision or change in law to adversely affect the ability of the District to pay the principal of and interest on the Bonds as and when due.

District Debt

General Obligation Bonds. From July 1997 through March 2003, the District issued the entire amount of general obligation bonds pursuant to a \$2,400,000,000 authorization approved by voters in the April 8, 1997 election (the “Proposition BB Authorization”) and the entire amount of general obligation bonds pursuant to a \$3,350,000,000 authorization approved by voters in the November 5, 2002 (the “Measure K Authorization”). A \$3,870,000,000 general obligation bond authorization was approved by the voters on March 2, 2004 (the “Measure R Authorization”). The District has issued \$3,710,010,000 aggregate principal amount of Measure R general obligation bonds. A \$3,985,000,000 general obligation bond authorization was approved by the voters on November 8, 2005 (the “Measure Y Authorization”). The District has issued \$3,602,850,000 of aggregate principal amount of Measure Y general obligation bonds. A \$7,000,000,000 general obligation bond authorization was approved by voters on November 4, 2008 (the “Measure Q Authorization”). The Series 2016A Bonds described in the forepart of this Official Statement will be the first series of general obligation bonds issued under the Measure Q Authorization.

Pursuant to Section 1(b)(3) of Article XIII A of the State Constitution, Chapters 1 and 1.5 of Part 10 of Division 1 of Title 1 of the State Education Code, as amended, and other applicable law (collectively, the “Act”), the District Board has appointed a Citizens’ Bond Oversight Committee. The Citizen’s Bond Oversight Committee is composed of 15 members representing numerous community groups and operates to inform the public concerning the spending of Measure K, Measure R, Measure Y and Measure Q Authorization bond funds authorized by the Act. The Citizen’s Bond Oversight Committee regularly reviews the potential bond projects and budgets and provides non-binding advice to the District Board on how to allocate and reallocate scarce bond proceeds in order to ensure the completion of viable projects and to avoid non-completion of projects once commenced. The Citizens’ Bond Oversight Committee also informs the public concerning the spending of funds attributable to the Proposition BB Authorization, although Proposition BB was approved under statutes other than the Act. The Citizens’ Bond Oversight Committee meets monthly in order to review all matters including, among other things, changes in budget, scope and schedules that relate to the District’s general obligation bonds and the projects proposed to be funded therefrom. In addition, the Citizens’ Bond Oversight Committee makes recommendations to the District Board regarding such matters. See “California Constitutional and Statutory Provisions relating to *Ad Valorem* Property Taxes, District Revenues and Appropriations—Proposition 39” herein. The District’s Office of the Inspector General conducts audits on a selected number of the construction management firms on an annual basis to ensure that funds from the New School Construction Program are spent in compliance with the Act and the District’s policies relating thereto. The District’s outside auditor, Simpson & Simpson, currently prepares the required bond audits regarding the expenditures of general obligation bond proceeds.

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

LOS ANGELES UNIFIED SCHOOL DISTRICT
Bond Citizens' Oversight Committee
(As of February 1, 2016)

Member	Community Group Represented
Stephen English, Chair	Office of the Controller, City of Los Angeles
Pamela Schmidt, Vice-Chair	Early Education Coalition
Quynh Nguyen, Secretary	LAUSD Student Parent
Scott Folsom, Executive Member	Tenth District PTSA
Stuart Magruder, Executive Member	American Institute of Architects
Arlene Barrera	Los Angeles County Auditor-Controller's Office
Paul Escala	California Charter Schools Association
Garrett Francis	Associated General Contractors of California
Elizabeth E. Lugo	LAUSD Student Parent
Abigail Marquez	Office of the Mayor, City of Los Angeles
Ron Miller	Los Angeles/Orange Counties Building & Construction Trades Council
Scott Pansky	Los Angeles Area Chamber of Commerce
Kathryn Steinberg	Thirty-First District PTSA
Betty Valles	American Association of Retired Persons
Barry Waite	California Tax Reform Association
Susan J. Linschoten	Los Angeles County Auditor-Controller's Office (Alternate)

The following Table A-24, Table A-25, Table A-26 and Table A-27 set forth the outstanding series of general obligation bonds and the amount outstanding as of January 1, 2016 under the Proposition BB, Measure K, Measure R and Measure Y Authorizations, respectively.

TABLE A-24

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

Bond Issue	Aggregate Principal Amount	Outstanding Amount as of January 1, 2016	Date of Issue
2002 Refunding Bonds ⁽¹⁾	\$ 258,375	\$ 58,280	April 17, 2002
2005 Refunding Bonds Series A-1 ⁽¹⁾	346,750	72,720	July 20, 2005
2005 Refunding Bonds Series A-2 ⁽¹⁾	120,925	14,790	July 20, 2005
2006 Refunding Bonds, Series B ⁽¹⁾	254,544	245,620	November 15, 2006
2007 Refunding Bonds, Series A-2 ⁽¹⁾	136,055	136,055	January 31, 2007
2007 Refunding Bonds, Series B ⁽¹⁾	24,845	24,650	February 22, 2007
2009 Refunding Bonds, Series A ⁽¹⁾	51,090	24,235	October 15, 2009
2011 Refunding Bonds, Series A-1 ⁽¹⁾	206,735	166,710	November 1, 2011
2014 Refunding Bonds, Series A ⁽¹⁾	196,850	178,330	June 26, 2014
2015 Refunding Bonds, Series A	<u>326,045</u>	<u>318,085</u>	May 28, 2015
TOTAL	<u>\$1,922,214</u>	<u>\$1,239,475</u>	

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

Source: Los Angeles Unified School District.

TABLE A-25

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

Bond Issue	Aggregate Principal Amount	Outstanding Amount as of January 1, 2016	Date of Issue
2006 Refunding Bonds, Series B ⁽¹⁾	\$ 320,361	\$ 307,215	November 15, 2006
2007 Refunding Bonds, Series A-1 ⁽¹⁾	1,153,195	1,118,785	January 31, 2007
Series B Bonds	500,000	242,540	February 22, 2007
Series C Bonds	150,000	62,565	August 16, 2007
Series D Bonds	250,000	208,195	February 19, 2009
Series KRY Bonds (2009) (Federally Taxable Build America Bonds)	200,000	200,000	October 15, 2009
Series KRY Bonds (2010) (Tax-Exempt)	149,140	145,250	March 4, 2010
2011 Refunding Bonds, Series A-2 ⁽¹⁾	201,070	152,770	November 1, 2011
2012 Refunding Bonds, Series A ⁽¹⁾	59,190	46,370	May 8, 2012
2014 Refunding Bonds, Series B ⁽¹⁾	<u>323,170</u>	<u>323,170</u>	June 26, 2014
TOTAL	<u>\$3,306,126</u>	<u>\$2,806,860</u>	

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

Source: Los Angeles Unified School District.

TABLE A-26

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

Bond Issue	Aggregate Principal Amount	Outstanding Amount as of January 1, 2016	Date of Issue
Series F Bonds	\$ 500,000	\$ 57,485	February 16, 2006
Series G Bonds	400,000	36,755	August 17, 2006
Series H Bonds	550,000	228,850	August 16, 2007
Series I Bonds	550,000	439,585	February 19, 2009
Series KRY Bonds (2009) (Federally Taxable Build America Bonds)	363,005	363,005	October 15, 2009
Series KRY Bonds (2009) (Tax-Exempt)	36,995	20,755	October 15, 2009
Series RY Bonds (2010) (Federally Taxable Build America Bonds)	477,630	477,630	March 4, 2010
Series KRY Bonds (2010) (Tax-Exempt)	157,165	157,165	March 4, 2010
2012 Refunding Bonds, Series A ⁽¹⁾	95,840	94,075	May 8, 2012
2014 Refunding Bond, Series C ⁽¹⁾	948,795	947,240	June 26, 2014
2014 Series J Bonds	68,170	36,355	August 19, 2014
2014 Series K Bonds	<u>7,045</u>	<u>3,695</u>	August 19, 2014
TOTAL	<u>\$4,154,645</u>	<u>\$2,862,595</u>	

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

Source: Los Angeles Unified School District.

TABLE A-27

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

Bond Issue	Aggregate Principal Amount	Outstanding Amount as of January 1, 2016	Date of Issue
Series A Bonds	\$ 56,785	\$ 6,430	February 22, 2006
Series B Bonds	80,200	15,160	February 22, 2006
Series C Bonds	210,000	94,620	February 22, 2006
Series E Bonds	300,000	125,960	August 16, 2007
Series F Bonds	150,000	125,320	February 19, 2009
Series KRY Bonds (2009) (Federally Taxable Build America Bonds)	806,795	806,795	October 15, 2009
Series KRY Bonds (2009) (Tax-Exempt)	168,790	51,825	October 15, 2009
Series H Bonds (2009) (Qualified School Construction Bonds)	318,800	318,800	October 15, 2009
Series KRY Bonds (2010) (Tax-Exempt)	172,270	130,450	March 4, 2010
Series RY Bonds (2010) (Federally Taxable Build America Bonds)	772,955	772,955	March 4, 2010
Series KY Bond (2010) (Tax-Exempt)	158,635	55,405	May 6, 2010
Series J (Qualified School Construction Bonds)	290,195	290,195	May 6, 2010
2014 Refunding Bonds, Series D ⁽¹⁾	153,385	153,385	June 26, 2014
2014 Refunding Bonds, Series K	35,465	22,990	August 19, 2014
2014 Series L Bonds	<u>25,150</u>	<u>13,205</u>	August 19, 2014
TOTAL	<u>\$3,699,425</u>	<u>\$2,983,495</u>	

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

Source: Los Angeles Unified School District.

Certificates of Participation. As of January 1, 2016, the District had outstanding lease obligations issued in the form of COPs in the aggregate principal amount of approximately \$266.1 million. The District estimates that the aggregate payment of principal and interest evidenced by COPs will be approximately \$347.7 million until the final maturity thereof. This amount does not reflect the receipt of the direct cash subsidy payments from the United States Department of the Treasury made in connection with the District's Certificates of Participation 2010 Series B-1 (Federally Taxable Direct Pay Build America Bonds) (Capital Projects I). See "– Limitations Related to Receipt of Federal Funds" herein. The following Table A-28 sets forth the District's lease obligations paid from the District General Fund and developer fees with respect to its outstanding COPs as of January 1, 2016.

TABLE A-28

LOS ANGELES UNIFIED SCHOOL DISTRICT
Certificates of Participation Lease Obligations Debt Service Schedule⁽¹⁾
(as of January 1, 2016)
(\$ in thousands)

Fiscal Year Ending (June 30)	Paid From General Fund⁽²⁾⁽³⁾	Paid From Developer Fees⁽⁴⁾	Fiscal Year Total Debt Service
2016	\$ 5,797	\$ 614	\$ 6,411
2017	33,672	9,575	43,247
2018	23,052	16,886	39,938
2019	25,043	--	25,043
2020	24,955	--	24,955
2021	24,864	--	24,864
2022	17,532	--	17,532
2023	17,429	--	17,429
2024	16,668	--	16,668
2025	16,048	--	16,048
2026	16,218	--	16,218
2027	16,163	--	16,163
2028	16,112	--	16,112
2029	16,037	--	16,037
2030	14,147	--	14,147
2031	14,073	--	14,073
2032	14,001	--	14,001
2033	2,277	--	2,277
2034	2,222	--	2,222
2035	2,169	--	2,169
2036	2,108	--	2,108
Total⁽⁵⁾	<u>\$320,587</u>	<u>\$27,075</u>	<u>\$347,663</u>

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

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

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

⁽⁴⁾ Developer fees are used to satisfy debt service payments on a portion of the District's outstanding lease obligations. The General Fund is obligated to pay these obligations in the event that insufficient developer fees are available to pay these lease obligations, subject to the terms of the lease. The District expects to pay a portion of the final debt service for Fiscal Year 2017-18 with funds from developer fees. In addition, the District expects to fund a portion of the final debt service payment on these lease obligations from funds released from the debt service reserve fund on the maturity date. To date, such developer fees have been and are expected to continue to be sufficient to date to pay these lease obligations as and when due.

⁽⁵⁾ Totals may not equal sum of component parts due to rounding.

Source: Los Angeles Unified School District.

Limitations Related to Receipt of Federal Funds. On March 1, 2013, President Barack Obama signed an executive order (the "Sequestration Executive Order") to reduce budgetary authority in certain accounts subject to sequester in accordance with the Budget Control Act of 2011 and the American Taxpayer Relief Act of 2012. Pursuant to the Sequestration Executive Order, budget authority for all

accounts in the domestic mandatory spending category including, among others, accounts for the payments to issuers of “Direct Pay Bonds,” which includes the District’s outstanding Series KRY Bonds (2009) (Federally Taxable Build America Bonds) (the “Series KRY Bonds (2009)”) and Series RY Bonds (2010) (Federally Taxable Build America Bonds) (the “Series RY Bonds (2010)”) and Series J (Qualified School Construction Bonds) (the “Series J Bonds”). In addition, the District’s Certificates of Participation 2010 Series B-1 (Federally Taxable Direct Pay Build America Bonds)(Capital Projects I) (the “2010 Series B-1 Certificates”) were executed and delivered as Direct Pay Bonds. Direct Pay Bonds are issued as taxable bonds and provide credits to the District from the federal government pursuant to Section 54AA(d) and 54AA(g) of the Code.

Pursuant to the Bipartisan Budget Act of 2013 which was signed into law in December 2013, the District’s Direct Pay Bonds are subject to the full amount of sequestration budget cuts and will have their planned federal payments reduced until the federal Fiscal Year ending September 30, 2023. The federal subsidy for the Direct Pay Bonds for the federal Fiscal Year ending September 30, 2015 was reduced by 7.3% and will be reduced by 6.8% for the federal Fiscal Year ended September 30, 2016. During the federal Fiscal Year ending September 30, 2016, the District expects that the sequester will result in a reduction in the aggregate amount of approximately \$5.0 million with respect to the refundable credits for the Series KRY Bonds (2009), Series RY Bonds (2010) and Series J Bonds and a reduction in the amount of approximately \$42,000 with respect to the refundable credit for the 2010 Series B-1 Certificates. The District’s Series KRY Bonds (2009), Series RY Bonds (2010), and Series J Bonds are payable from and secured by *ad valorem* taxes which are to be assessed in amounts sufficient to pay principal of and interest on the Series KRY Bonds (2009), Series RY Bonds (2010), and Series J Bonds when due. The County has levied and will continue to levy *ad valorem* property taxes in an amount sufficient to pay principal of and interest on the Series KRY Bonds (2009), Series RY Bonds (2010), and Series J Bonds when due.

Future Financings

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

The District has approximately \$159,990,000 authorized and unissued general obligation bond authorization remaining under the Measure R Authorization and \$382,150,000 authorized and unissued general obligation bond authorization remaining under the Measure Y Authorization. Subsequent to the issuance of the Series 2016A Bonds, the District will have approximately \$6,351,045,000 authorized and unissued general obligation bond authorization remaining under the Measure Q Authorization.

Pursuant to the Education Code, the District’s bonding capacity for general obligation bonds may not exceed 2.5% of taxable property valuation in the District as shown by the last equalized assessment roll of the County. Based upon the Fiscal Year 2015-16 assessed valuation of property within the District’s boundaries, the District’s bonding capacity for general obligation bonds is approximately \$14.25 billion. Accordingly, the District’s available capacity for issuance of new general obligation bonds will be approximately \$3.80 billion subsequent to the issuance of the Bonds. The assessed

valuation of property within the District's boundaries of approximately \$570.17 billion reflects an increase of 7% from Fiscal Year 2014-15. See "Security and Sources 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 XIII A of the State Constitution" herein.

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

Lease Revenue Financings. The District may finance capital projects through the execution and delivery of certificates of participation or other obligations secured by general fund lease payments from time to time, but it does not presently expect to issue any COPs during Fiscal Year 2015-16. See "District Financial Information – District Financial Policies – Debt Management Policy" herein.

Tax and Revenue Anticipation Notes. The District does not expect to issue tax and revenue anticipation notes in Fiscal Year 2015-16. The District may issue tax and revenue anticipation notes in future fiscal years as and when necessary to supplement cashflow.

STATE BUDGET

General

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

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

The State Budget Process

The State's fiscal year begins on July 1 and ends on June 30. According to the State Constitution, the Governor of the State (the "Governor") is required to propose a budget for the next fiscal year (the

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

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

State Budget Act

State Budget Act for Fiscal Year 2015-16. The Governor signed the Fiscal Year 2015-16 State budget (the “2015-16 State Budget”) on June 24, 2015. The 2015-16 State Budget represented a multiyear plan that is balanced and that focused on paying down budgetary debt from prior years and setting aside reserves. Additionally, the 2015-16 State Budget included increased spending on education, health care, in-home supportive services, workforce development, drought assistance and the judiciary.

The 2015-16 State Budget projected \$115 billion in revenues and transfers, a 3.3 percent increase over Fiscal Year 2014-15. By the end of Fiscal Year 2015-16, the State’s Rainy Day Fund is budgeted to have an estimated balance of \$3.5 billion. The 2015-16 State Budget proposed to repay the remaining \$1 billion in deferrals to schools and community colleges, make the final payment on the \$15 billion in Economic Recovery Bonds used to cover budget deficits since 2002 and reduce outstanding mandate liabilities owed to schools and community colleges by \$3.8 billion.

As it relates to K-12 education, the 2015-16 State Budget provided total funding of \$83.2 billion (\$49.7 billion general fund and \$33.5 billion other funds). The 2015-16 State Budget provided Proposition 98 funding for all K-14 education of \$68.4 billion, an increase of \$7.6 billion over Fiscal Year 2014-15. Since Fiscal Year 2011-12, Proposition 98 funding for K-12 education has grown by more than \$18.6 billion, representing an increase of more than \$3,000 per student.

Certain budget adjustments for K-12 programs included the following:

- Local Control Funding Formula. An increase of \$6 billion in Proposition 98 general funds to continue the State's transition to the Local Control Funding Formula. This formula committed most new funding to districts which serve greater numbers of students classified as Unduplicated Pupils. This increase is projected to close the remaining funding implementation gap by more than 51%.
- Career Technical Education. The 2015-16 State Budget established the Career Technical Education ("CTE") Incentive Grant Program and provides \$400 million, \$300 million, and \$200 million Proposition 98 General Fund in 2015-16, 2016-17, and 2017-18, respectively, for local education agencies to establish new or expand high-quality CTE programs.
- Educator Support. An increase of \$500 million one-time Proposition 98 General Fund for educator support. Of this amount, \$490 million is allocated for activities that promote educator quality and effectiveness, including beginning teacher and administrator support and mentoring, support for teachers who have been identified as needing improvement, and professional development aligned to the State academic content standards. These funds will be allocated to school districts, county offices of education, charter schools, and the State special schools in an equal amount per certificated staff and are available for expenditure over the next three years. Additionally, \$10 million is provided for the K-12 High Speed Network to provide professional development and technical assistance to local educational agencies related to network management.
- Special Education. The 2015-16 State Budget included \$60.1 million Proposition 98 General Fund (\$50.1 million ongoing and \$10 million one-time) to implement selected program changes recommended by the Statewide Special Education Task Force, making targeted investments that improve service delivery and outcomes for all disabled students, with a particular emphasis on early education.
- K-12 High-Speed Internet Access. An increase of \$50 million in one-time Proposition 98 funds to support additional investments in internet connectivity and infrastructure, building on the \$26.7 million in one-time Proposition 98 funding that was provided in Fiscal Year 2014-15. This second installment of funding will further upgrade internet infrastructure to reflect the increasing role that technology plays in classroom operations to support teaching and learning.
- K-12 Mandates. An increase of \$3.2 billion in one-time Proposition 98 General Fund to reimburse K-12 local educational agencies for the costs of State-mandated programs. These funds are expected to significantly reduce outstanding mandate debt, while providing school districts, county offices of education, and charter schools with discretionary resources to support, among other things, the Common Core implementation.
- K-12 Deferrals. The 2015-16 State Budget provided \$897 million Proposition 98 General Fund to eliminate deferrals consistent with the revenue trigger included in the Fiscal Year 2014-15 State Budget.

The complete 2015-16 State Budget is available from the Department of Finance website at www.dof.ca.gov. The District can take no responsibility for the continued accuracy of this internet address or for the accuracy, completeness or timeliness of information posted therein, and such information is not incorporated herein by such reference.

Proposed 2016-17 State Budget. The Governor released his proposed fiscal year 2016-17 State budget (the “2016-17 Proposed State Budget”) on January 7, 2016. The 2016-17 Proposed State Budget proposes a balanced budget for Fiscal Year 2016-17. The Governor proposes to use funds to pay down outstanding budgetary borrowing including loans from special funds, Proposition 98 settle up obligations, transportation loans, and pension liabilities related to University of California employees. The 2016-17 Proposed State Budget estimates that total resources available in fiscal year 2015-16 will be approximately \$121.2 billion (including a prior year balance of \$3.7 billion) and total expenditures in fiscal year 2015-16 will be approximately \$116.1 billion. The 2016-17 Proposed State Budget projects total resources available for fiscal year 2016-17 of \$125.8 billion, inclusive of revenues and transfers of \$120.6 billion and a prior year balance of \$5.17 billion. The 2016-17 Proposed State Budget projects total expenditures of \$122.6 billion, inclusive of non-Proposition 98 expenditures of \$71.6 billion and Proposition 98 expenditures of \$50.97 billion. The 2016-17 Proposed State Budget proposes to allocate \$966 million of the General Fund’s projected fund balance to the Reserve for Liquidation of Encumbrances and \$2.2 billion of such fund balance to the State’s Special Fund for Economic Uncertainties.

The 2016-17 Proposed State Budget prioritizes a balanced budget for the long term and fully funding the State’s Rainy Day Fund (the “Rainy Day Fund”). The Governor projects that the Rainy Day Fund will have a balance of approximately \$6 billion in fiscal year 2016-17. The 2016-17 Proposed State Budget proposes to make an additional \$2 billion deposit during fiscal year 2016-17 to bring the balance of the Rainy Day Fund to \$8 billion, which is approximately 65% of the target balance.

Despite budgetary improvements as compared to recent years, the 2016-17 Proposed State Budget acknowledges that the additional tax revenues from capital gains are temporary in nature and that the additional revenues from Proposition 30 will expire in 2016 (with respect to the sales tax increase) and 2018 (with respect to the income tax increase). Further, the 2016-17 Proposed State Budget cautions that the State should address several risks, including: the inevitable occurrence of another recession, ongoing fiscal challenges of the federal government, the budget’s heavy dependency on the performance of the stock market, the high levels of State debts and liabilities, including unfunded retirement liabilities, and deferred maintenance of the State’s roads and other infrastructure.

Certain workload adjustments and budgetary proposals for K-12 education set forth in the 2016-17 Proposed State Budget include the following:

- School District Local Control Funding Formula. The 2016-17 Proposed State Budget proposes to provide \$2.8 billion to continue the implementation of the Local Control Funding Formula. The 2016-17 Proposed State Budget proposes to eliminate almost 50% of the remaining funding gap between actual funding and the target level of funding. The Governor estimates that total Local Control Funding Formula implementation is now 95%.
- County Offices of Education Local Control Funding Formula. An increase of \$1.7 million Proposition 98 General Fund to support a cost-of-living adjustment and A.D.A. changes for county offices of education.
- Proposition 98 Minimum Guarantee. The 2016-17 Proposed State Budget proposes Proposition 98 funding of \$71.6 billion, inclusive of State and local funds, for fiscal year 2016-17 which is expected to satisfy the Proposition 98 minimum guarantee.

- Early Education Block Grant. The 2016-17 Proposed State Budget proposes a \$1.6 billion early education block grant for local educational agencies that will combine Proposition 98 funding from the State Preschool Program, transitional kindergarten, and the preschool Quality Rating and Improvement System Grant.
- Mandate Claims. The 2016-17 Proposed State Budget proposes to allocate approximately \$1.28 billion in one-time moneys to reduce outstanding mandate claims by school districts charter schools, and county offices of education.
- Career Technical Education. The 2015-16 State Budget included resources to support the first year of the Career Technical Education Incentive Grant program, a transitional education and workforce development initiative administered by the California Department of Education. Pursuant to the program, the State will allocate \$400 million in fiscal year 2015-16, \$300 million in fiscal year 2016-17, and \$200 million in 2017-18 in the form of competitive matching grants to school districts, county offices, of education, and charter schools.
- One-Time Discretionary Funding. The 2016-17 Proposed State Budget proposes an increase of more than \$1.2 billion in one-time Proposition 98 General Fund for school districts, charter schools and county offices of education to use at local discretion.
- Charter School Growth. The 2016-17 Proposed State Budget proposes an increase of \$61 million Proposition 98 General Fund to support projected charter school A.D.A. growth.
- Charter School Startup Grants. The 2016-17 Proposed State Budget proposes an increase of \$20 million one-time Proposition 98 General Fund to support operational startup costs for new charter schools in 2016 and 2017, which is expected to partially offset the loss of federal funding previously available for such purpose.
- Systems of Learning and Behavioral Supports. The 2016-17 Proposed State Budget proposes an increase of \$30 million one-time Proposition 98 General Fund resources to build upon the \$10 million investment included in the 2015-16 State Budget for an increased number of local educational agencies to provide academic and behavioral supports in a coordinated and systematic way.
- Special Education. The 2016-17 Proposed State Budget proposes a decrease of \$15.5 million Proposition 98 General Fund to reflect a projected decrease in Special Education A.D.A.
- Cost-of-Living Adjustment Increases. The 2016-17 Proposed State Budget proposes an increase of \$22.9 million Proposition 98 General Fund to support a 0.47% cost-of-living adjustment for categorical programs, including Special Education, Child Nutrition, Foster Youth, Preschool, American Indian Education Centers, and the American Indian Early Childhood Education Program, which are not funded within the Local Control Funding Formula.
- Local Property Tax Adjustments. The 2016-17 Proposed State Budget proposes a decrease of \$149.4 million Proposition 98 General Fund for school districts and county offices of education in fiscal year 2015-16 as a result of higher offsetting property tax

revenues. In addition, the Governor proposes a decrease of \$1.2 billion in Proposition 98 General Fund for school districts and county offices of education in fiscal year 2016-17 as a result of increased offsetting local property tax revenues due to, principally, the end of the “triple flip.”

- School District Average Daily Attendance. As a result of a decrease in projected ADA from the 2015-16 State Budget, the 2016-17 Proposed Budget proposes a decrease of \$150.1 million in 2015-16 for school districts and a decrease of \$34.1 million in fiscal year 2016-17 for school districts.
- Proposition 39. Proposition 39, the California Clean Energy Jobs Act of 2012, has provided increased corporate tax revenues in the State. For fiscal year 2013-14 through fiscal year 2017-18, Proposition 39 requires half of the increased revenues, up to \$550 million per year, to be used to support energy efficiency. The 2016-17 Proposed State Budget proposes to allocate \$365.4 million to support school district and charter school energy efficiency projects in fiscal year 2016-17.
- Proposition 47. Proposition 47 (2014) requires a portion of any State savings which have resulted from the State’s reduced penalties for certain non-serious and non-violent property and drug offenses, to be allocated to K-12 truancy and dropout prevention, victim services, and mental health and drug treatment. The 2016-17 Proposed State Budget proposes to allocate approximately \$7.3 million of such funds to, among other things, truancy reduction, dropout prevention and crime prevention efforts relating to K-12 students. The Governor expects to count such funds towards the Proposition 98 minimum guarantee.

The complete 2016-17 Proposed State Budget is available from the California Department of Finance website at www.dof.ca.gov. The District can take no responsibility for the continued accuracy of this internet address or for the accuracy, completeness or timeliness of information posted therein, and such information is not incorporated herein by such reference.

LAO Overview of 2016-17 Proposed State Budget. The Legislative Analyst’s Office (“LAO”), a nonpartisan State office which provides fiscal and policy information and advice to the State Legislature, released its report on the 2016-17 Proposed State Budget entitled “The 2016-17 Budget: Overview of the Governor’s Budget” on January 11, 2016 (the “2016-17 Proposed Budget Overview”), in which the LAO commends the State for its emphasis on increasing its budget reserves. The LAO notes that such an approach is prudent, as a large reserve may be essential to weathering the next recession. Further, the LAO is generally supportive of the Governor’s priorities and the 2016-17 Proposed State Budget’s focus on infrastructure, which the LAO notes is aging and in need of renovation and improvements. Nevertheless, the LAO warns that budget vulnerability remains and that cautious budgetary decision making is necessary. For example, the LAO suggests the State begin with robust targets for fiscal year 2016-17 budget reserves and take a measured approach to spending in order to better position the State for any near-term economic downturn.

With respect to the Proposition 98 budget plan in the 2016-17 Proposed State Budget, the LAO believes the Governor’s estimated local property tax revenue counting toward Proposition 98 is approximately \$1 billion lower than its estimate for 2015-16 and 2016-17. If local property tax revenue comes in higher than the Governor’s administration expects, Proposition 98 General Fund costs will be correspondingly lower. However, the LAO cautions that the proposed use of Proposition 98 funding in fiscal year 2016-17 may provide inadequate protection against economic downturn. Thus, the LAO

advises against committing all available 2016-17 Proposition 98 funds to ongoing purposes, as a sustained economic slowdown could force the State to cut programs and potentially backpedal in its implementation of the Local Control Funding Formula.

The 2016-17 Budget Overview is available on the LAO website at www.lao.ca.gov. The District can take no responsibility for the continued accuracy of this internet address or for the accuracy, completeness or timeliness of information posted therein, and such information is not incorporated herein by such reference.

Changes in State Budget. The final fiscal year 2016-17 State budget, which requires approval by a majority vote of each house of the State Legislature, may differ substantially from the Governor's budget proposal. Accordingly, the District cannot provide any assurances that there will not be any changes in the final State budget for fiscal year 2016-17 from the 2016-17 Proposed State Budget. Additionally, the District cannot predict the impact that the final fiscal year 2016-17 State Budget, or subsequent budgets, will have on its finances and operations. The final State budget for fiscal year 2016-17 may be affected by national and State economic conditions and other factors which the District cannot predict.

Future Budgets and Budgetary Actions. The District cannot predict what future actions will be taken by the State Legislature and the Governor to address changing State revenues and expenditures or the impact such actions will have on State revenues available in the current or future years for education. The State budget will be affected by national and State economic conditions and other factors beyond the District's ability to predict or control. Certain actions could result in a significant shortfall of revenue and cash, and could impair the State's ability to fund schools during fiscal year 2016-17 and in future fiscal years. Certain factors, like an economic recession, could result in State budget shortfalls in any fiscal year and could have a material adverse financial impact on the District.

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

Future State Budgets

The District cannot predict what actions will be taken in the future by the State Legislature and the Governor to address future State budget deficits, if any, and cash management practices. Future State budgets will be affected by national and State economic conditions, including economic downturns, over which the District has no control, and other factors over which the District will have no control. To the extent that the State budget process results in reduced revenues deferred revenues or increased expenses for the District, the District will be required to make adjustments to its budget and cash management practices. In the event current or future State Budgets decrease the District's revenues or increase required expenditures by the District from the levels assumed by the District, the District will be required to generate additional revenues, curtail programs or services, or use its reserve funds to ensure a balanced budget.

Limitations on School District Reserves

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

The State-imposed minimum recommended reserve for the District, which is accounted for in the Reserve for Economic Uncertainties, is an amount equal to 3% of General Fund expenditures and other financing uses. The District cannot predict the extent to which the State will fund the Public School System Stabilization Account. In addition, the District cannot predict what steps it will implement, if any, to adjust its budgeted reserves to comply with the amended Education Code. Further, the District cannot predict whether the limitations on reserves in the Education Code, as amended, will apply solely to fund balances in the District’s General Fund or if it will apply to other funds of the District. However, the District does not expect the limitations on reserves in the Education Code, as amended, to adversely affect its ability to pay the principal of and interest on the Bonds described in the forepart of this Official Statement, which are payable from voter-approved *ad valorem* property taxes.

The California State Senate is currently considering Senate Bill 799 (“SB 799”) to amend certain provisions of the Education Code including provisions previously amended by SB 858. If approved in its present form, SB 799 will restrict school district budgets from containing unassigned ending balances in such school district’s general fund and special reserve fund for other than capital outlay projects in amounts in excess of 17% of those funds in any fiscal year following a year in which the State has made a transfer into the Public School System Stabilization Account. SB 799, if approved in its present form, will permit each county superintendent to grant a school district under its jurisdiction an exemption from such requirements subject to certain conditions. Further, SB 799 will require each county superintendent of schools to adopt a policy establishing procedures for submitting exemption requests and the criteria by which exemptions may be approved.

State Funding of Schools Without a State Budget

Although the State Constitution requires that the State Legislature adopt a budget for the State by June 15 of the prior fiscal year and that the Governor sign a budget by June 30, this deadline has been missed from time to time. Delays in the adoption of a Budget Act in any fiscal year could impact the receipt of State funding by the District. On May 29, 2002, the California Court of Appeal for the Second District decided the case of *Howard Jarvis Taxpayers Association, et al. v. Kathleen Connell* (as Controller of the State of California), et al. (also referred to as *White v. Davis*) (“*Connell*”). The California Court of Appeal concluded that, absent an emergency appropriation, the State Controller may authorize the payment of State funds during a budget impasse only when payment is either (i) authorized by a “continuing appropriation” enacted by the State Legislature, (ii) authorized by a self-executing

provision of the State Constitution, or (iii) mandated by federal law. The Court of Appeal specifically concluded that the provisions of Article XVI, Section 8 of the State Constitution—the provision establishing minimum funding of K-14 education enacted as part of Proposition 98—did not constitute a self-executing authorization to disburse funds, stating that such provisions merely provide formulas for determining the minimum funding to be appropriated every budget year but do not appropriate funds. Nevertheless, the State Controller has concluded that the provisions of the State Education Code establishing K-12 and county office of education revenue limit funding do constitute continuing appropriations enacted by the State Legislature and, therefore, has indicated that State payments of such amounts would continue during a budget impasse. The State Controller, however, has concluded that K-12 categorical programs are not authorized pursuant to a continuing appropriation enacted by the State Legislature and, therefore, cannot be paid during a budget impasse. To the extent the *Connell* decision applies to State payments reflected in the District’s budget, the requirement that there be either a final budget bill or an emergency appropriation may result in the delay of some payments to the District while such required legislative action is delayed, unless the payments are self-executing authorizations, continuing appropriations or are subject to a federal mandate. However, the District does not expect any delays in payments from the State to adversely affect its ability to pay the principal of and interest on the Bonds described in the forepart of this Official Statement, which are payable from voter-approved *ad valorem* property taxes.

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

Constitutionally Required Funding of Education

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

Article XIII A of the State Constitution

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

The provisions of Article XIII A were subsequently modified pursuant to Proposition 39, which was approved by California voters on November 7, 2000. See “– Proposition 39” below. Article XIII A limits the amount of any *ad valorem* property tax to 1% of the full cash value thereof, except that additional *ad valorem* property taxes may be levied to pay debt service on (i) bonded indebtedness approved by the voters prior to July 1, 1978, (ii) bonded indebtedness approved by a two-thirds vote on or after July 1, 1978, for the acquisition or improvement of real property, and (iii) bonded indebtedness incurred by a school district or community college district for the construction, reconstruction, rehabilitation or replacement of school facilities or the acquisition or lease of real property for school facilities, approved by 55% of the voters of the school district or community college district, but only if

certain accountability measures are included in the proposition. The Measure R Authorization and the Measure Y Authorization were approved under Proposition 39. See “ – Proposition 39” and “District Financial Information – District Debt – General Obligation Bonds” herein.

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

Legislation Implementing Article XIII A

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

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

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

Article XIII B of the State Constitution

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

The District Board adopted the annual appropriation limit for Fiscal Year 2015-16 of approximately \$4.40 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 2014-15, the appropriations subject to limitation totaled approximately \$4.29 billion and were approximately \$115.7 million below the Article XIII B limit for Fiscal Year 2015-16.

Article XIII C and Article XIII D of the State Constitution

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

Article XIII D deals with assessments and property related fees and charges. Article XIII D explicitly provides that nothing in Article XIII C or XIII D shall be construed to affect existing laws relating to the imposition of fees or charges as a condition of property development; however, it is not clear whether the initiative power is therefore unavailable to repeal or reduce developer and mitigation fees imposed by the District.

Proposition 98

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

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

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

The Fiscal Year 2015-16 State Budget projects Proposition 98 expenditures for Fiscal Year 2015-16 of approximately \$68.4 billion (inclusive of approximately \$19.0 billion of local property tax revenues and \$49.4 billion from the State's General Fund), which reflects an increase of approximately \$2.1 billion compared to the projected Proposition 98 expenditures for Fiscal Year 2014-15. For further information concerning the impact of State Budgets on Proposition 98 funding, see "District Financial Information—State Budget" herein.

Proposition 39

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

been spent to ensure that the funds have been used only for the projects listed in the measure. The District's Measure K, Measure R, Measure Y and Measure Q bond programs were authorized pursuant to Proposition 39. See "District Financial Information – District Debt – General Obligation Bonds" herein. The District is in full compliance with all Proposition 39 requirements.

Proposition 1A

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

Proposition 22

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

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

Proposition 30

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

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

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

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

State School Facilities Bonds

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 and was approved by State voters (“Proposition 47”). This measure authorizes the sale and issuance of \$13.05 billion in general

obligation bonds by the State for funding 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 will be 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. K-12 school districts will be required to pay 50% of the costs for acquisition of land and new construction with local revenues. In addition, Proposition 47 provided that up to \$100 million of the \$3.45 billion would be allocated for charter school facilities. Proposition 47 provides up to \$3.3 billion for reconstruction or modernization of existing K-12 school facilities. Of this amount, \$1.9 billion will be set aside to fund backlog projects for which school districts submitted applications to the State on or prior to February 1, 2002 and the balance of \$1.4 billion would be used to fund projects for which school districts submitted applications to the State after February 1, 2002. K-12 school districts will be required to pay 40% of the costs for reconstruction or modernization with local revenues. Proposition 47 provides a total of \$1.7 billion to K-12 school districts which are considered critically overcrowded, specifically to schools that have a large number of pupils relative to the size of the school site. In addition, \$50 million will be available to fund joint-use projects. Proposition 47 also includes \$1.65 billion to construct new buildings and related infrastructure, alter existing buildings and purchase equipment for use in the State's public higher education systems. As of June 30, 2015, the District has approximately \$939.4 million in funds attributable to Proposition 47 available for eligible school projects.

Proposition 55. The Kindergarten-University Public Education Facilities Bond Act of 2004 appeared on the March 2, 2004 ballot as Proposition 55 and was approved by State voters ("Proposition 55"). This measure authorizes the sale and issuance of \$12.3 billion in general obligation bonds by the State for funding the construction and renovation of public K-12 school facilities (\$10 billion) and public higher education facilities (\$2.3 billion). Proposition 55 includes \$5.26 billion for the acquisition of land and construction of new school buildings. A school district would be required to pay for 50% of costs with local resources unless it qualifies for state hardship funding. The measure also provides that up to \$300 million of these new construction funds is available for charter school facilities.

Proposition 55 makes \$2.25 billion available for the reconstruction or modernization of existing public school facilities. Districts would be required to pay 40% of project costs from local resources. Proposition 55 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 also makes a total of \$50 million available to fund joint-use projects. Proposition 55 includes \$2.3 billion to construct new buildings and related infrastructure, alter existing buildings and purchase equipment for use in these buildings for the State's public higher education systems. The measure allocates \$690 million to the University of California and California State University and \$920 million to community colleges in the State. The Governor and the State Legislature select specific projects to be funded by the bond proceeds. As of June 30, 2015, the District has approximately \$2.3 million in funds attributable to Proposition 55 available for eligible school projects.

Proposition 1D. The Kindergarten-University Public Education Facilities Bond Act of 2006 appeared on the November 7, 2006 ballot as Proposition 1D and was approved by State voters ("Proposition 1D"). This measure authorizes the sale and issuance of \$10.4 billion in general obligation bonds by the State for funding the construction and renovation of public K-12 school facilities (\$7.3 billion) and public higher education facilities (\$3.1 billion). Proposition 1D includes \$1.9 billion for the acquisition of land and construction of new school buildings. A school district would be required

to pay for 50% of costs with local resources unless it qualifies for state hardship funding. Proposition 1D also provides that up to \$500 million of these construction funds is available for charter school facilities.

Proposition 1D makes \$3.3 billion available for the reconstruction or modernization of existing public school facilities. Districts would be required to pay 40% of project costs from local resources. Proposition 1D directs a total of \$1.0 billion to school districts with schools that are considered critically overcrowded. These funds would go to schools that have a large number of pupils relative to the size of the school site. Proposition 1D also makes a total of \$29 million available to fund joint-use projects. Proposition 1D includes \$3.1 billion to construct new buildings and related infrastructure, alter existing buildings and purchase equipment for use in these buildings for California's public higher education systems. Pursuant to Proposition 1D, the Governor and the State Legislature select specific projects to be funded by the bond proceeds. As of June 30, 2015, the District has approximately \$839.4 million in funds attributable to Proposition 1D available for eligible school projects.

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.

Future Initiatives

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

REGIONAL ECONOMIC AND DEMOGRAPHIC INFORMATION

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

Population

The following Table A-29 sets forth the estimates of the population of the City, the County and the State in calendar years 2011 through 2015.

TABLE A-29
POPULATION ESTIMATES
2011 through 2015

<u>Year</u> <u>(as of January 1)</u>	<u>City of</u> <u>Los Angeles</u>	<u>County of</u> <u>Los Angeles</u>	<u>State of</u> <u>California</u>
2011	3,806,499	9,847,712	37,427,946
2012	3,827,240	9,889,467	37,668,804
2013	3,866,133	9,963,811	37,984,138
2014	3,914,359	10,054,852	38,357,121
2015	3,957,022	10,136,559	38,714,725

Source: Department of Finance Demographic Research Unit.

Income

The following Table A-30 sets forth the median household income for the City, the County, the State and the United States for calendar years 2010 through 2014.

TABLE A-30
Median Household Income⁽¹⁾
2010 through 2014

<u>Year</u>	<u>City of</u> <u>Los Angeles</u>	<u>County of</u> <u>Los Angeles</u>	<u>State of</u> <u>California</u>	<u>United States</u>
2010	47,031	52,684	57,708	50,046
2011	46,148	52,280	57,287	50,502
2012	46,803	53,001	58,328	51,371
2013	48,466	54,529	60,190	52,250
2014	50,544	55,746	61,933	53,657

⁽¹⁾ Estimated. In inflation-adjusted dollars.

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

The following Table A-31 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 2014.

TABLE A-31

**Income Groupings 2014⁽¹⁾
(Percent of Households)**

<u>Income Per Household</u>	<u>City of Los Angeles</u>	<u>County of Los Angeles</u>	<u>State of California</u>	<u>United States</u>
\$24,999 & Under	27.1%	23.1%	20.4%	23.2%
\$25,000-49,999	23.2	22.3	21.1	23.7
\$50,000 & Over	49.8	54.7	58.3	53.0

⁽¹⁾ Estimated. In inflation-adjusted dollars.

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

Employment

The District is within the Los Angeles-Long Beach Primary Metropolitan Statistical Area Labor Market (Los Angeles County). The following Table A-32 sets forth wage and salary employment in the County from calendar years 2010 through 2014.

TABLE A-32

**Labor Force and Employment in the County of Los Angeles⁽¹⁾
2010 through 2014**

	2010	2011	2012	2013	2014
Civilian Labor Force ⁽²⁾	4,916,300	4,936,400	4,901,300	4,960,300	5,025,900
Employment	4,298,500	4,331,500	4,365,800	4,470,700	4,610,800
Unemployment	617,900	604,900	535,500	489,600	415,1000
Unemployment Rate ⁽³⁾	12.6%	12.3%	10.9%	9.9%	8.3%
Wage and Salary Employment					
Farm	6,200	5,600	5,400	5,500	5,300
Mining and Logging	4,100	4,100	4,300	4,600	4,700
Construction	104,500	105,100	109,200	116,200	120,000
Manufacturing	373,300	366,900	367,400	368,200	346,900
Trade, Transportation and Utilities	740,400	750,700	767,500	782,200	800,700
Information	191,600	192,000	191,500	196,400	195,900
Financial Activities	209,600	208,600	211,000	211,700	209,700
Professional and Business Services	528,100	544,000	571,600	594,700	609,400
Educational and Health Services	637,300	643,200	674,300	719,600	748,000
Leisure and Hospitality	384,800	394,700	415,400	439,300	464,600
Other Services	136,700	137,000	141,700	145,700	151,700
Government	<u>579,600</u>	<u>565,500</u>	<u>556,800</u>	<u>551,200</u>	<u>556,700</u>
Total ⁽¹⁾	<u>3,896,300</u>	<u>3,917,200</u>	<u>4,015,900</u>	<u>4,135,200</u>	<u>4,231,700</u>

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

⁽²⁾ Based on place of residence.

⁽³⁾ The State Employment Development Department has reported an unemployment rate (not seasonally adjusted) within the County of 5.8% for December 2015.

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

The following Table A-33 sets forth taxable sales in the County for the calendar years 2009 through 2013.

TABLE A-33

**County of Los Angeles
Taxable Transactions⁽¹⁾
2009 through 2013
(\$ in thousands)**

Type of Business	2009	2010	2011	2012	2013
Motor Vehicle and Parts Dealers	\$ 10,801,444	\$ 11,285,457	\$ 12,686,384	\$ 14,479,392	\$ 15,543,657
Furniture and Home Furnishings Stores	2,058,460	2,158,334	2,321,830	2,441,922	2,568,630
Electronics and Appliance Stores	3,406,513	3,454,412	3,416,744	3,570,668	3,576,308
Building Materials and Garden Equipment and Supplies	5,754,600	6,129,586	6,306,814	6,510,966	6,558,312
Food and Beverage Stores	5,410,953	5,405,254	5,591,250	5,824,815	6,051,754
Health and Personal Care Stores	2,735,112	2,773,004	2,998,946	3,163,312	3,306,274
Gasoline Stations	9,629,797	11,012,642	13,394,467	14,037,507	13,817,056
Clothing and Clothing Accessories Stores	7,145,713	7,607,711	8,356,612	9,166,549	9,926,558
Sporting Goods, Hobby, Book & Music Stores	2,434,950	2,448,246	2,478,020	2,454,806	2,487,061
General Merchandise Stores	10,059,028	10,369,383	10,866,531	11,157,997	11,463,750
Miscellaneous Store Retailers	4,319,761	4,449,560	4,649,598	4,798,211	4,953,245
Nonstore Retailers	810,972	790,565	897,596	1,200,322	1,906,573
Food Services and Drinking Places	<u>13,876,812</u>	<u>14,291,264</u>	<u>15,286,655</u>	<u>16,512,136</u>	<u>17,481,996</u>
Total Retail and Food Services	\$ <u>78,444,115</u>	\$ <u>82,175,416</u>	\$ <u>89,251,447</u>	\$ <u>95,318,603</u>	\$ <u>99,641,174</u>
All Other Outlets	\$ <u>34,300,613</u>	\$ <u>34,766,918</u>	\$ <u>37,189,291</u>	\$ <u>39,976,979</u>	\$ <u>40,438,534</u>
TOTAL ALL OUTLETS	\$<u>112,744,727</u>	\$<u>116,942,334</u>	\$<u>126,440,737</u>	\$<u>135,295,582</u>	\$<u>140,079,708</u>

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

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

Leading County Employers

The economic base of the County is diverse with no one sector being dominant. Some of the leading activities include government (including education), business/professional management services (including engineering), health services (including training and research), tourism, distribution, and entertainment. The following Table A-34 sets forth the major employers in the County for 2015.

TABLE A-34
County of Los Angeles
Major Employers⁽¹⁾
2015

Employer	Product/Service	Employees
Los Angeles County	Government	105,503
Los Angeles Unified School District	Education	59,563
U.S. Government	Government	47,500
University of California, Los Angeles	Education	44,744
Kaiser Permanente	Non-profit health plan	35,771
City of Los Angeles	Government	31,875
State of California	Government	28,900
University of Southern California	Private university	18,629
Northrop Grumman Corp.	Defense contractor	17,000
Target Corp.	Retailer	15,000
Ralphs/Food 4 Less (Kroger Co. division)	Retail grocer	13,500
Bank of America Corp.	Banking and financial services	13,000
Providence Health & Services Southern California	Health care	13,000
AT&T Inc.	Telecommunications	11,700
UPS	Transportation and freight	10,768
Home Depot	Home improvement specialty retailer	10,600
Boeing Co.	Integrated aerospace and defense systems	10,500
Cedars-Sinai Medical Center	Medical center	10,250
Albertsons/Vons/Pavilions	Retail grocer	10,200
Walt Disney Co.	Entertainment	10,200
Wells Fargo	Diversified financial services	10,000
Metro	Transportation	9,281
Los Angeles Department of Water & Power	Energy	9,147
ABM Industries Inc.	Facility services, energy solutions, maintenance, repair	8,500
California Institute of Technology	Private university, operator of Jet Propulsion Laboratory	8,100
FedEx Corp.	Shipping and logistics	7,700
Edison International	Electric utility	7,650
Warner Bros. Entertainment Inc.	Entertainment	7,400
Los Angeles Community College District	Education	6,819
Universal Services of America	Electronic security systems, safety services	6,554
Long Beach Unified School District	Education	6,515
Dignity Health	Health care	6,100
California State University, Northridge	Education	6,047
American Apparel Inc.	Apparel manufacturer and retailer	6,000

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

Source: Los Angeles Business Journal 2015. The List 2015.

Construction

The following Table A-35 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 2010 through 2015.

TABLE A-35
City of Los Angeles
Permit Valuations and Units of Construction
2010 to 2015
(\$ in thousands)

Year	New Residential Valuation	New Single Family Dwelling Units	New Multi-Family Dwelling Units	Total New Units
2010	\$1,282,731	681	3,576	4,257
2011	1,591,893	531	5,974	6,505
2012	1,858,562	875	5,801	6,676
2013	2,487,445	1,061	9,427	10,488
2014	2,822,201	1,602	10,068	11,670
2015	3,650,499	1,839	13,806	15,645

Sources: Construction Industry Research Board (2010), California Homebuilding Foundation (2011-2015).

The following Table A-36 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 2010 through 2014.

TABLE A-36
County of Los Angeles
Real Estate and Construction Indicators
2010 to 2014

Indicator	2010	2011	2012	2013	2014
Construction Lending ⁽¹⁾	\$2,128	\$3,258	\$4,601	\$6,379	\$8,750
Residential Purchase Lending ⁽¹⁾	\$22,491	\$20,469	\$23,675	\$27,910	\$31,441
New & Existing Median Home Prices	\$335,363	\$316,469	\$330,463	\$412,795	\$458,677
New & Existing Home Sales	77,313	74,216	83,686	84,229	76,348
Notices of Default Recorded	68,603	64,490	49,354	20,970	17,883
Unsold New Housing (at year-end)	1,997	1,517	845	561	552
Office Market Vacancy Rates	17.0%	17.0%	16.7%	16.9%	15.1%
Industrial Market Vacancy Rates	3.2%	2.9%	2.1%	1.9%	1.6%

⁽¹⁾ Dollars in millions.

Source: Real Estate Research Council of Southern California – 3rd Quarter 2015

The following Table A-37 sets forth information with respect to building permits and building valuations in the County from 2010 through 2014.

TABLE A-37

**County of Los Angeles
Building Permits and Valuations
2010 to 2014**

	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Residential Building Permits (Units)					
New Residential Permits					
Single Family	2,439	2,370	2,756	3,599	4,286
Multi-Family	<u>5,029</u>	<u>8,033</u>	<u>7,950</u>	<u>12,631</u>	<u>14,595</u>
Total Residential Building Permits	<u>7,468</u>	<u>10,403</u>	<u>10,706</u>	<u>16,230</u>	<u>18,881</u>
Building Valuations(\$ in millions)					
Residential Building Valuations					
Single Family	\$922	\$1,032	\$1,128	\$1,507	\$1,740
Multi-Family	811	1,222	1,416	1,921	2,310
Alterations and Additions	<u>1,110</u>	<u>1,122</u>	<u>674</u>	<u>1,193</u>	<u>1,429</u>
Residential Building Valuations Subtotal	<u>\$2,843</u>	<u>\$3,376</u>	<u>\$3,218</u>	<u>\$4,621</u>	<u>\$5,479</u>
Non-Residential Building Valuations					
Office Buildings	\$133	\$156	\$38	\$246	\$269
Retail Buildings	263	223	115	385	829
Hotels and Motels	28	24	5	145	359
Industrial Buildings	56	136	169	128	122
Alterations and Additions	1,662	1,774	1,095	2,012	3,155
Other	<u>535</u>	<u>806</u>	<u>381</u>	<u>669</u>	<u>1,507</u>
Non-Residential Building Valuations Subtotal	<u>\$2,677</u>	<u>\$3,119</u>	<u>\$1,803</u>	<u>\$3,585</u>	<u>\$6,241</u>
Total Building Valuations	<u>\$5,519</u>	<u>\$6,495</u>	<u>\$5,021</u>	<u>\$8,207</u>	<u>\$11,721</u>

Source: Real Estate Research Council of Southern California – 3rd Quarter 2015

GLOSSARY OF CERTAIN TERMS AND ABBREVIATIONS

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

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

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

“ARC” means annual required contribution.

“CAFR” means comprehensive annual financial report.

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

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

“CDE” means the California Department of Education.

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

“Common Core” means Common Core State Standards.

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

“LACOE” means the Los Angeles County Office of Education.

“LAO” means the Legislative Analyst’s Office of the State of California.

“LCAP” means the Local Control and Accountability Plan.

“LCFF” means the Local Control Funding Formula.

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

“OPEB” means Other Post-Employment Benefits.

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

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

“PEPRA” means the California Public Employees’ Pension Reform Act of 2013.

“QEIA” means the Quality Education Investment Act of 2006.

“UAAL” means unfunded actuarial accrued liability.

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

APPENDIX B

**COMPREHENSIVE ANNUAL FINANCIAL REPORT
OF THE DISTRICT FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

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LOS ANGELES UNIFIED SCHOOL DISTRICT

Comprehensive Annual
FINANCIAL REPORT



For Fiscal Year Ended June 30, 2015

2014 - 2015

Los Angeles, CA

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

**COMPREHENSIVE
ANNUAL FINANCIAL REPORT
FISCAL YEAR ENDED JUNE 30, 2015**

MR. RAMON C. CORTINES
SUPERINTENDENT OF SCHOOLS
(EFFECTIVE OCTOBER 20, 2014)

MR. JOHN E. DEASY
SUPERINTENDENT OF SCHOOLS
(APRIL 18, 2011 – OCTOBER 15, 2014)

MS. MEGAN K. REILLY
CHIEF FINANCIAL OFFICER

MR. V. LUIS BUENDIA
CONTROLLER



**PREPARED BY
ACCOUNTING AND DISBURSEMENTS DIVISION**

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

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LOS ANGELES UNIFIED SCHOOL DISTRICT

Comprehensive Annual Financial Report

Year Ended June 30, 2015

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INTRODUCTORY SECTION

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MEMBERS OF THE BOARD

LOS ANGELES UNIFIED SCHOOL DISTRICT

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



RAMON C. CORTINES
Superintendent of Schools

MICHELLE KING
Chief Deputy Superintendent

MEGAN K. REILLY
Chief Financial Officer

V. LUIS BUENDIA
Controller

December 15, 2015

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

Dear Board Members:

The Comprehensive Annual Financial Report of the Los Angeles Unified School District (District), for the fiscal year ended June 30, 2015, is hereby submitted. Responsibility for both the accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures, rests with the District. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the District. All disclosures necessary to enable the reader to gain an understanding of the District's financial activities have been included. The report also includes a "State and Federal Compliance Information" section, which is designed to meet the reporting requirements of the Office of the California State Controller, the U.S. General Accounting Office, the U.S. Office of Management and Budget, and the Single Audit Act Amendments of 1996.

Independent Audit

EC §41020 provides that each school district shall arrange for an audit by certified public accountants of its books and accounts, including the District's income by source of funds and expenditures by object and program. The District's contract auditor for 2014-15 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 is located in and includes virtually all of the City of Los Angeles and all or significant portions of the cities of Bell, Carson, Commerce, Cudahy, Gardena, Hawthorne, Huntington Park, Lomita, Maywood, Rancho Palos Verdes, San Fernando, South Gate, Vernon, and West Hollywood, in addition to considerable unincorporated territories devoted to homes and industry. 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, 2015, the District is operating 455 elementary schools, 84 middle/junior high schools, 96 senior high schools, 55 options schools, 20 multi-level schools, 15 special education schools, 39 magnet schools and 152 magnet centers, 6 community adult schools, 3 regional occupational centers, 1 skills center, 1 regional occupational program center, 86 early education centers, 4 infant centers, and 18 primary school centers. The District is governed by a seven-member Board of Education elected by district to serve alternating four-year terms. As of June 30, 2015, the District employed 38,403 certificated, 26,549 classified, and 11,473 unclassified employees. Enrollment as of September 2014 was 542,433 students in K-12 schools, 39,997 students in adult schools and centers, and 12,616 children in early education centers.

As a reporting entity, the District is accountable for all activities related to public education in most of the western section of Los Angeles County. This report includes all funds of the District with the exception of the fiscally independent charter schools, which are required to submit their own individual audited financial statements, and the Auxiliary Services Trust Fund, which is not significant in relation to District operations. The Auxiliary Services Trust Fund was established in 1935 to receive and disburse funds for insurance premiums on student body activities and property, “all city” athletic and musical events, grants restricted for student activities, and other miscellaneous activities.

Economic Condition and Outlook

According to the September 2015 UCLA Anderson Forecast, the national economy based on U.S. Gross Domestic Product (GDP) will grow in the 2% to 3% range in the next two years through 2017, with an improving labor market, declining unemployment, and a slim chance of a recession. In the California forecast, total employment growth will be at 2.7% in 2015, 2.2% in 2016, and 1.4% in 2017. On the other hand, unemployment will drop below 6% through the balance of 2015 and will continue to fall throughout the next year to an average of 5.2%. In 2017, it is expected to be at 4.8%. Real personal income growth is estimated to be 3.8% for California compared to 3.2% for the U.S. in 2016, and 3.4% for California versus 3.3% for the U.S. in 2017.

California is experiencing a higher unemployment rate than the nation as a whole. Below is a table that shows the unemployment rates for 2015 for both the nation and the state of California.

Month	U.S.	California
January	5.7%	7.0%
February	5.5%	6.7%
March	5.5%	6.5%
April	5.4%	6.3%
May	5.5%	6.4%
June	5.3%	6.3%
July	5.3%	6.2%
August	5.1%	6.1%
September	5.1%	5.9%
October	5.0%	5.8% (P)

P – Preliminary estimate

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

UCLA Anderson Forecast also focused on the outlook of the state’s housing market. California’s housing market will continue to see a lack of affordability and shortage in housing. Home prices have been driven by limited supply and will make housing less affordable in the next several years to come as prices outpace income. California is experiencing higher home prices relative to other states. A Legislative Analyst Office (LAO) report, “California’s High Housing Costs: Causes and Consequences”, indicated that in today’s market, an average California home costs \$440,000, about two-and-a-half times the average national home price of \$180,000. California’s average rent is about \$1,240, 50% higher than the rest of the country’s \$840 per month. The report also mentions that high housing costs might prevent the state’s economy from

meeting its full potential as it will make California less attractive to live and making it difficult for companies to hire and retain qualified employees. However, favorable interest rates fueled by job growth will push housing demand and strengthen the housing market in 2016 according to the forecast published by California Association of Realtors. The forecast sees a rise in existing home sales of 6.3% and about 433,000 units in 2016. Current year sales are also expected to increase by 6.3% i.e, from 383,000 existing single family homes sold in 2014 to 407,500 homes in 2015. California's housing market is one of the key economic indicators impacting the state economy with its effect on employment, sales and property taxes, and population growth.

Although both the nation and California is seeing its economy growing stronger and staying stable, weakness in the world economy raises a concern. California's economic growth depends on international trade more than many other states. Slowdown in China, contractions in Japan and Germany, and stagnation in other world economies could create an imbalance in California's key trade industry that could dampen exports and lead to heavier focus on imports. GDP report for 2014 from the World Bank ranked California as the 8th largest economy of the world. US Bureau of Economic Analysis latest report shows California's gross state product, which is comparable to GDP, at \$2.31 trillion, slightly behind Brazil which claimed seventh place with a GDP of \$2.35 trillion. US (excluding California) top the list with a GDP of \$15.11 trillion.

Another area of concern for California residents is the ongoing drought, already in its record breaking 4th year. The economic impact of the drought is estimated at \$2.7 billion according to a UC Davis study. This is equivalent to about 5% of annual agricultural production and about one-tenth of 1% of California's total annual economic output. The credit rating agency Moody's said that California's drought would have little economic impact in the short term. Statistics suggests that the state's overall economy can withstand the impact. Although California produces nearly half of U.S. grown fruits, nuts, and vegetables, agriculture only represents a tiny portion of the state's huge overall economy, about \$28 billion or 1.4%. By comparison, financial sector account for 36% of the state's GDP. Manufacturing accounts for about 12%. LAO's analysis of the 2015-16 Budget states that the adopted budget includes \$1.8 billion for various drought-related activities. Ninety percent of the funding is from Proposition 1, the water bond measure passed by voters in November 2014, and about \$120 million is from the General Fund. This is in addition to \$1.1 billion in accelerated drought and flood protection funding approved by the Legislature and signed into law in March 2015.

California's economy has recovered from the Great Recession and economic indicators are pointing towards continued growth and stability in the next two years. Several policies and initiatives such as the extension of Proposition 30 income taxes, minimum-wage increases, and revamp of the California Environmental Quality Act for example, are looming and the impact of which could either push the state's recovery forward or hamper economic growth.

Superintendent's Strategic Plan

The Los Angeles Unified School District has developed five Key Strategies. These strategies refer to the set of common sense approaches we will use to support the instructional core to help every LAUSD student achieve their maximum potential:

1. Transform teaching and learning so that we prepare all youth to graduate college and be workforce ready.
2. Ensure there is an effective employee at every level of the organization focused on improving student outcomes.
3. Provide a portfolio of high quality schools for all youth, families and communities.
4. Ensure a safe, caring, and nurturing environment for all youth.
5. Operate an effective, efficient, and transparent organization in order to assure the public trust.

Financial Information

The District maintains internal accounting controls designed to provide reasonable assurance that assets are safeguarded against loss from unauthorized use and disposition and to provide reliable records for preparing financial statements and maintaining accountability for assets. The concept of reasonable assurance recognizes the importance of a close evaluation of costs and benefits, which requires estimates and judgments by management. The objective is to establish effective internal controls, the cost of which should not exceed the benefits derived therefrom. We believe that the District's internal accounting controls adequately safeguard assets and provide reasonable assurance of proper recording of financial transactions.

School districts in California are required by Education Code Section 41010 to follow the California School Accounting Manual in preparing reports to the State. The District, in accordance with Board election on October 28, 2008, utilizes a single-adoption budget schedule that requires Final Budget adoption by the State-mandated July 1 deadline. The District is allowed to modify its adopted budget within 45 days of the passage of the State budget.

Education Code Section (EC§) 42600 mandates that a school district's expenditures may not legally exceed budgeted appropriations by major object classification, namely certificated salaries, classified salaries, employee benefits, books and supplies, services and other operating expenditures, capital outlay, other outgo, and other financing uses. EC §42600 further specifies that districts may not spend more than the amounts authorized in the Final Budget as adjusted during the fiscal year.

Encumbrance accounting is utilized to ensure effective budgetary control and accountability. Unencumbered appropriations lapse at year end and encumbrances outstanding at that time are reported as assigned fund balance for subsequent year expenditures.

Financial Results

In 2014-15, the Statement of Changes in Net Position shows that the District's Net Position decreased by \$573.2 million during the year. This includes a net of \$5.3 billion restatement of beginning balance to reflect the cumulative effect of the change in accounting principle as a result of adopting Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions* and a change in accounting treatment for Federal E-Rate Program Discounts. The Unrestricted Net Position, which is negative, declined from (\$9,859.1 million) to (\$10,231.0 million). The negative Unrestricted Net Position is largely the result of the adoption of GASB 68, wherein the District is now required to recognize net pension liability for its various employee retirement plans coupled with the continuously increasing retiree health benefit (OPEB) liability. The OPEB liability reflected, which represents the previous year's liability increased by the current year's unfunded expense, is \$5,971.0 million, an increase of \$619.2 million from 2013-14. The latest actuarial report estimates the net present value of the entire 30-year liability to be \$10.9 billion. The District started to pre-fund its OPEB liability through an irrevocable Trust. However, the contribution made to the Trust is not enough to fully fund the existing or increase in the OPEB liability.

In 2014-15, the fund balance of the General Fund increased by \$119.5 million from \$700.3 million to \$819.8 million. This increase is primarily due to higher apportionment received from Local Control Funding Formula (LCFF) sources brought about by the new revenue apportionment calculation.

Audit Results

The District received an Unmodified financial audit. An unmodified or "clean" opinion is issued when the auditor is able to state that the financial statements are fairly presented in all material respects in conformity with generally accepted accounting principles (GAAP). For the federal compliance audit, all 20 programs audited received an Unmodified audit. The District also received an Unmodified state compliance audit.

There were 18 audit findings in 2014-15. The amount of the questioned costs declined 27.8%, from \$381,870 in 2013-14 to \$275,633 in 2014-15. Even with these improvements, the District will continue to work with schools and offices to focus on resolving the remaining areas of internal control and compliance issues.

Awards

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to Los Angeles Unified School District for its comprehensive annual financial report for the fiscal year ended June 30, 2014. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

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

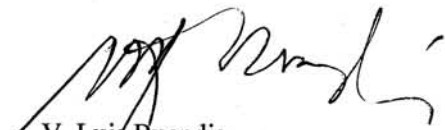
Acknowledgments

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

Respectfully submitted,

Ramon C. Cortines
Superintendent of Schools

Prepared by:



V. Luis Buendia
Controller



Megan K. Reilly
Chief Financial Officer



Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

**Los Angeles Unified School District
California**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2014

Executive Director/CEO

BOARD OF EDUCATION

Steven Zimmer
President

George McKenna III

Ref Rodriguez

Mónica García

Mónica Ratliff

Scott Schmerelson

Richard Vladovic

PRINCIPAL SCHOOL DISTRICT OFFICIALS

Ramon C. Cortines
Superintendent of Schools
(Effective October 20, 2014)

John E. Deasy
Superintendent of Schools
(April 18, 2011 – October 15, 2014)

Megan K. Reilly
Chief Financial Officer

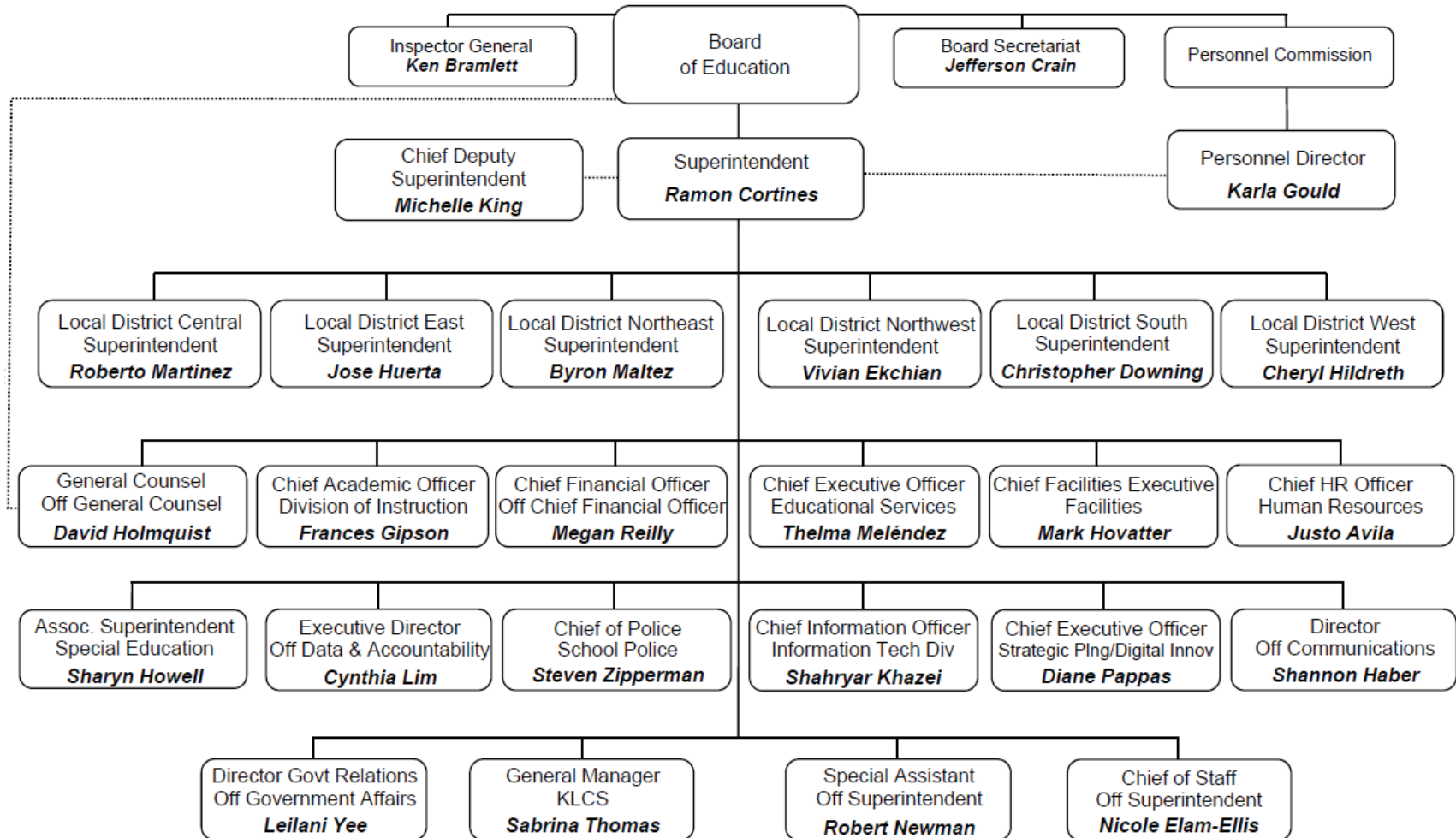
V. Luis Buendia
Controller

LOCAL DISTRICT OFFICIALS

	Local District Superintendent	Administrator of Instruction	Administrator of Operations	Administrator of Parent & Community Engagement	Administrator of Special Education
Northeast:	Byron Maltez	Jack Bagwell	Andres Chait	Antonio Reveles	Alesha Haase
Northwest:	Vivian Ekchian	Dina Sim	Darneika Watson	Marilu Pigliapoco	Cindy Welden
South:	Christopher Downing	Pedro Garcia	Dr. James Noble	Theresa Arreguin	vacant
East:	Jose Huerta	David Baca	Dr. Alfonso Webb	Gilberto Martinez	Janet Montoya
West:	Cheryl Hildreth	Judy Utvich	Jan Davis	Traci Calhoun	Bette Medina
Central:	Roberto Martinez	Natividad Rozsa	Eugene Hernandez	Ismael Berver	Marco Tolj

**Los Angeles Unified School District
Organization of Central Support System
(Effective December 1, 2015)**

III.A



FINANCIAL SECTION

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SIMPSON & SIMPSON
CERTIFIED PUBLIC ACCOUNTANTS

FOUNDING PARTNERS
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Independent Auditor's Report

To The Honorable Board of Education
Los Angeles Unified School District

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the **Los Angeles Unified School District** (the District) as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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



Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Los Angeles Unified School District as of June 30, 2015, 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) to the basic financial statements, on July 1, 2014 the District adopted Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions – An Amendment of GASB Statement No. 27*, as well as Governmental Accounting Standards Board Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date; an amendment of GASB Statement No. 68*. 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 through 13 and the required supplementary information on page 75-77 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The introductory section, the supplementary information, and statistical section, and the state and federal compliance information section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

The supplementary information on pages 78 to 117 and the schedule of expenditures of federal awards on pages 264-268, the information on pages 201 to 257 and page 263 in the state and federal compliance section are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.



The introductory and statistical sections and the information on pages 171 to 200 and 258 to 262 have not been subjected to the auditing procedures applied in the audit of the basic financial statements and accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 15, 2015, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads 'Simpson & Simpson'.

Los Angeles, California
December 15, 2015

LOS ANGELES UNIFIED SCHOOL DISTRICT

Management's Discussion and Analysis

June 30, 2015

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, 2015.

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

Financial Highlights

- The liabilities of the District exceeded its assets at the close of the most recent fiscal year by \$4.2 billion (net position). This amount includes \$10.2 billion deficit in unrestricted net position resulting primarily from the cumulative increase in unfunded liabilities for other postemployment benefits (OPEB) and the recognition of net pension liability as a result of the adoption of Government Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*.
- The District's total net position decreased by \$573.2 million from prior year total primarily due to increase in unfunded liabilities for OPEB.
- The District's total long-term obligations decreased by \$579.7 million (-2.5%) during the current fiscal year. The decrease resulted primarily from the payment of matured certificates of participation (COPs) and general obligation bonds (GO bonds).
- As of the close of the 2015 fiscal year, the District's governmental funds reported combined ending fund balances of \$3,182.3 million, a decrease of \$267.0 million from June 30, 2014.
- At the end of the current fiscal year, committed, assigned and unassigned fund balances for the General Fund, including reserve for economic uncertainties, was \$672.6 million, or 10.8% 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.

LOS ANGELES UNIFIED SCHOOL DISTRICT

Management's Discussion and Analysis

June 30, 2015

Each of the government-wide financial statements relates to functions of the District that are principally supported by taxes and intergovernmental revenues (governmental activities). The governmental activities of the District are all related to public education.

The government-wide financial statements can be found on pages 14-15 of this report.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the District's near-term financing decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The District maintains 19 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, County School Facilities Fund, Bond Interest and Redemption Fund, and all other funds. Individual account data for all other nonmajor governmental funds are provided in the form of *combining statements* elsewhere in this report.

The District adopts an annual appropriated budget for its General Fund. A budgetary comparison statement has been provided for the General Fund to demonstrate compliance with the budget.

The governmental fund financial statements can be found on pages 16 and 18 of this report.

Proprietary funds. The District maintains Internal Service Funds as the only type of proprietary fund. Internal service funds are an accounting device used to accumulate and allocate costs internally among the District's various functions. The District uses internal service funds to account for Health and Welfare Benefits, Workers' Compensation Self-Insurance, and Liability Self-Insurance. Because all of these services benefit governmental functions, they have been included within governmental activities in the government-wide financial statements.

It is the District's practice to record estimated claim liabilities at the present value of the claims, in conformity with the accrual basis of accounting, for all its internal service funds.

The proprietary fund financial statements can be found on pages 21-23 of this report.

LOS ANGELES UNIFIED SCHOOL DISTRICT

Management's Discussion and Analysis

June 30, 2015

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the District's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The fiduciary fund financial statements can be found on page 24-25 of this report.

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

Combining and individual fund schedules and statements. Combining schedules and statements consisting of the budget to actual comparisons for District Bonds Fund, County School Facilities Fund, Bond Interest and Redemption Fund, the individual accounts within the nonmajor governmental funds, the internal service funds and the fiduciary funds are presented immediately following the required supplementary information. Combining and individual fund schedules and statements can be found on pages 78-107 of this report.

Government-wide Financial Analysis

As noted earlier, net position over time may serve as a useful indicator of a government's financial position. In the case of the District, liabilities plus deferred inflows of resources exceeded assets plus deferred outflows of resources by \$4.2 billion at the close of the most recent year.

The District's net position reflects its investments in capital assets (\$4.6 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 (\$1.5 billion) represents resources that are subject to external restrictions on how they may be used. The majority of this pertains to District bonds funds. The remaining negative balance in unrestricted net position (-\$10.2 billion) resulted primarily from the recognition of \$6.0 billion of net OPEB obligation and \$4.5 billion of net pension liability.

At the end of the 2015 fiscal year, the District is able to report positive balances in all categories of net position except for unrestricted net position.

The \$44.7 million decrease in capital assets, net primarily relates to the recognition of depreciation expense which is higher compared to costs incurred for school construction and modernization projects throughout the District.

Long-term liabilities decreased by \$579.7 million primarily due to payment of matured COPs and GO bonds.

LOS ANGELES UNIFIED SCHOOL DISTRICT

Management's Discussion and Analysis

June 30, 2015

Summary Statements of Net Position (in thousands)

As of June 30, 2015 and 2014:

	Governmental Activities	
	2015	2014 (As Restated)
Current Assets	\$ 5,025,849	\$ 5,229,676
Capital Assets, net	14,758,045	14,802,703
Total Assets	19,783,894	20,032,379
Deferred Outflows of Resources	529,263	174,224
Current Liabilities	930,275	900,726
Long-term Liabilities	22,321,951	22,901,681
Total Liabilities	23,252,226	23,802,407
Deferred Inflows of Resources	1,229,928	—
Net Position:		
Net investment in capital assets	4,582,066	4,724,631
Restricted for:		
Debt service	402,208	326,582
Program activities	1,077,629	1,212,106
Unrestricted	(10,230,900)	(9,859,123)
Total Net Position	\$ (4,168,997)	\$ (3,595,804)

In fiscal year 2014-15, the District adopted GASB Statement No. 68 and a change in accounting policy on the treatment of E-Rate reimbursements, which required the restatement of the June 30, 2014 net position in Governmental Activities. The result is a net decrease in the net position at July 1, 2014 of \$5.3 billion. See further discussion in Note 1r on page 36 of this report.

LOS ANGELES UNIFIED SCHOOL DISTRICT

Management's Discussion and Analysis

June 30, 2015

Summary Statements of Changes in Net Position (in thousands)

Year ended June 30, 2015 and 2014:

	Governmental Activities	
	2015	2014 (As Restated)
Revenues:		
Program Revenues:		
Charges for services	\$ 147,464	\$ 120,372
Operating grants and contributions	1,958,632	1,761,456
Capital grants and contributions	82,803	129,706
Total Program Revenues	<u>2,188,899</u>	<u>2,011,534</u>
General Revenues:		
Property taxes levied for general purposes	1,100,523	1,017,071
Property taxes levied for debt service	808,603	839,521
Property taxes levied for community redevelopment	23,230	19,306
State aid not restricted to specific purpose	3,699,731	3,391,144
Grants, entitlements, and contributions not restricted to specific programs	134,317	131,827
Unrestricted investment earnings	8,501	16,605
Miscellaneous	7,816	19,379
Total General Revenues	<u>5,782,721</u>	<u>5,434,853</u>
Total Revenues	<u>7,971,620</u>	<u>7,446,387</u>
Expenses:		
Instruction	3,993,707	6,855,879
Support Services:		
Support services – students	339,295	540,235
Support services – instructional staff	507,045	721,115
Support services – general administration	41,981	62,256
Support services – school administration	389,493	726,872
Support services – business	238,015	299,807
Operation and maintenance of plant services	572,960	1,067,285
Student transportation services	166,628	286,072
Data processing services	22,092	118,748
Operation of noninstructional services	483,043	807,674
Facilities acquisition and construction services	199,654	138,533
Other uses	6,502	6,327
Interest expense	442,977	536,864
Depreciation – unallocated	522,238	494,457
Unfunded OPEB expense – unallocated	619,183	563,992
Total Expenses	<u>8,544,813</u>	<u>13,226,116</u>
Changes in Net Position	<u>(573,193)</u>	<u>(5,779,729)</u>
Net Position – Beginning of Year, Restated	<u>(3,595,804)</u>	<u>2,183,925</u>
Net Position – End of Year	<u>\$ (4,168,997)</u>	<u>\$ (3,595,804)</u>

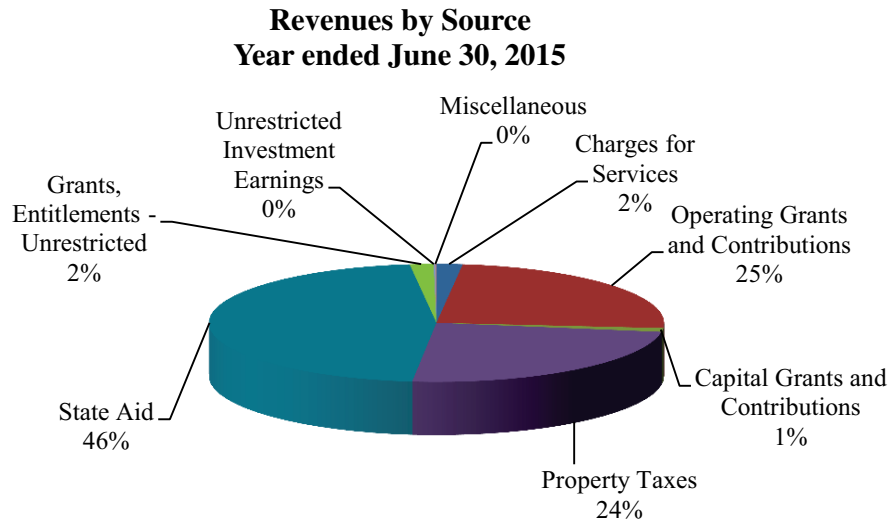
LOS ANGELES UNIFIED SCHOOL DISTRICT

Management's Discussion and Analysis

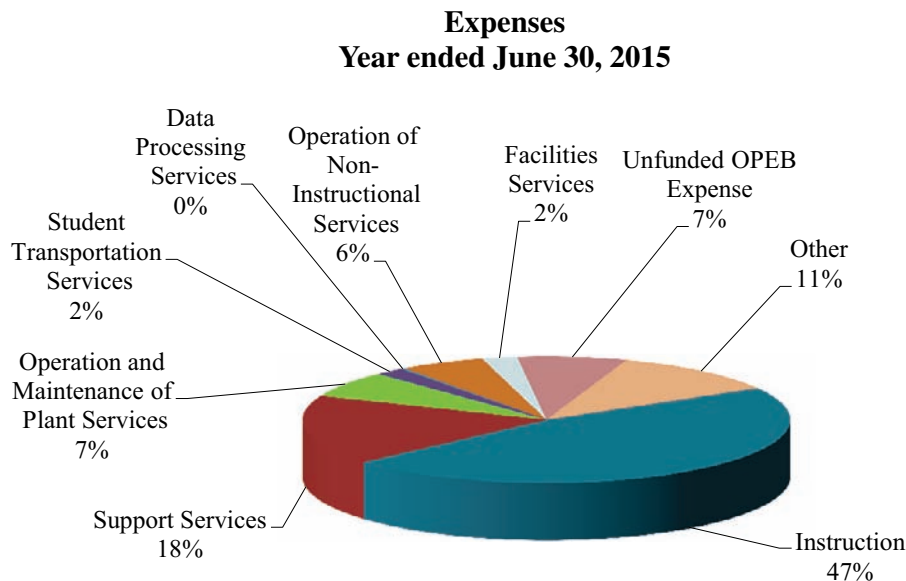
June 30, 2015

The District's net position decreased by \$573.2 million in the current fiscal year. This is primarily due to the increase in other postemployment benefits expense. However, total revenue is higher by \$525.2 million resulting from increase in apportionments.

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



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



LOS ANGELES UNIFIED SCHOOL DISTRICT

Management's Discussion and Analysis

June 30, 2015

Financial Analysis of the Governmental Funds

As noted earlier, the District uses fund accounting to facilitate compliance with finance-related requirements.

Governmental funds. The focus of the District's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the District's financing requirements. Committed, assigned, and unassigned balances comprise the unrestricted fund balances and may serve as a useful measure of the District's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$3,182.3 million, a decrease of \$267.0 million in comparison with the prior year. Approximately 27.2% (\$864.4 million) of this total combined ending fund balance constitutes unrestricted fund balance, which is available for spending at the District's discretion. The remaining 72.8% are either restricted or nonspendable and are not available for new spending: restricted balances (\$2.3 billion) and nonspendable inventories and revolving cash (\$29.8 million).

The General Fund is the primary operating fund of the District. At the end of the 2015 fiscal year, the unrestricted fund balance of the General Fund was \$672.6 million, while the total fund balance is \$819.8 million. As a measure of the General Fund's liquidity, it may be useful to compare both the unrestricted fund balance and the total fund balance to the total fund expenditures. The unrestricted fund balance represents 10.8% of the total General Fund expenditures, while the total fund balance represents 13.2% of that same amount.

The fund balance of the District's General Fund increased by \$119.6 million during the current fiscal year. This is primarily due to higher apportionment received from Local Control Funding Formula sources brought about by the new revenue apportionment calculation.

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

	District Bonds	County School Facilities Bonds	Bond Interest and Redemption	Other Governmental Funds			Total
				Special Revenue	Debt Service	Other Capital Projects	
Fund Balance, June 30, 2015:							
Nonspendable							
Revolving cash and imprest funds	\$ 3,430	\$ —	\$ —	\$ 32	\$ —	\$ —	\$ 32
Inventories	—	—	—	5,654	—	—	5,654
Restricted	688,095	471,136	773,407	22,521	56,205	150,185	228,911
Committed	—	—	—	5,395	—	—	5,395
Assigned	—	—	—	550	—	185,865	186,415
Total	691,525	471,136	773,407	34,152	56,205	336,050	426,407
Fund Balance, July 1, 2014	1,127,352	544,998	712,646	35,666	55,441	272,922	364,029
Increase (decrease) in fund balance	\$ (435,827)	\$ (73,862)	\$ 60,761	\$ (1,514)	\$ 764	\$ 63,128	\$ 62,378

The fund balance decreased during the current year for the District Bonds due to continued spending for school construction, modernization projects, and renovation; County School Facilities Bonds also decreased primarily due to lower state and local revenue coupled with the spending on projects. Special Revenue decreased primarily due to higher operating deficit from Adult Education.

LOS ANGELES UNIFIED SCHOOL DISTRICT

Management's Discussion and Analysis

June 30, 2015

On the other hand, the Bond Interest and Redemption Fund increased, primarily from higher property taxes levied to pay principal and interest on bond issues plus a decrease in actual debt service as the District continues to refinance its debts for lower interest rates. Other Capital Projects increased primarily due to lower spending of project funds combined with project cost transfers to other capital project accounts. Debt Service has a very slight movement in the account. This is primarily due to the offsetting effect of debt service payments and revenues derived from operating transfers from user funds and investment income.

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

At the end of the year, the District's proprietary funds have an unrestricted net position of \$298.7 million. The net decrease of \$30.6 million in the current year is primarily attributed to the decrease in net position of the Health and Welfare Benefits Fund as a result of higher medical claims costs that includes new specialty medications.

General Fund Budgetary Highlights

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

Modified Final Budget vs. Original Final Budget

The District's Original Final Budget is based on assumptions from the State's May Revision Budget, while the Modified Final Budget is based not only on the State's Enacted Budget but also on all other known State budgetary changes and changes to the District's priority of program implementations and/or planned expenditures. Differences between the 2014-15 General Fund Original Final Budget adopted by the Board of Education in June 2014 and the Modified Final Budget, resulted in a lower budgeted ending balance by \$69.0 million, from \$489.3 million to \$420.3 million. Adjustments to the Original Final Budget were an increase in beginning balance by \$45.0 million, an increase in budgeted revenues and financing sources by \$154.2 million, and an increase in budgeted expenditures and other financing uses by \$268.3 million.

The increase in beginning balance by \$45.0 million was to reflect the actual ending balance as of June 30, 2014 as opposed to the estimated June 30, 2014 ending balance. The net increase in budgeted revenues and other financing sources of \$154.2 million was mostly due to LCFF revenue increase of \$45.8 million, receipt of one-time mandated costs reimbursement of \$35 million, higher Quality Education Investment Act (QEIA) revenue of \$15.2 million, and increased federal grant recognition of \$37.3 million.

The increase in estimated expenditures and other financing uses of \$268.3 million was mostly attributable to budget changes to reflect pay increases resulting from agreements between the District and its labor partners.

Actual vs. Modified Final Budget

The beginning balance remained the same on both the Actual and the Modified Final Budget. The favorable variance of \$49.0 million in revenues and other financing sources between the Actual and Modified Final Budget was mostly due to the \$138.4 million recognition of the State of California's on-behalf contribution to comply with GASB 68, the new accounting standard on pension liability reporting, which is offset by adjustments on multi-year grants budgeted in their entirety but earned only to the extent of actual expenditures incurred.

LOS ANGELES UNIFIED SCHOOL DISTRICT

Management's Discussion and Analysis

June 30, 2015

The favorable variance of \$350.5 million in expenditures and other financing uses between the Actual and the Modified Final Budget was due to lower than anticipated expenditures across all major objects of expenditures. The largest decreases in expenditures were mainly in Certificated Salaries (\$146.1 million), Books and Supplies (\$77.3 million), and Services and Other Operating Expenditures (\$68.8 million). Lower total benefits due to lower total salaries was offset by an increase in pension expense of \$138.4 million, a corresponding entry to the revenue recognized in compliance to GASB 68 as mentioned above, resulting to a net decrease of \$5.8 million in Employee Benefits.

Capital Assets and Debt Administration

Capital assets. The District's investment in capital assets for its governmental activities as of June 30, 2015 amounts to \$14.8 billion (net of accumulated depreciation), 0.3% decrease from the prior year. The investment in capital assets includes sites, improvement of sites, buildings and improvements, equipment and construction in progress, net of any related accumulated depreciation. The decrease is primarily due to less major construction projects in the current fiscal year. Moreover, prior year capital asset balance is increased due to a change in accounting policy.

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

	Governmental Activities	
	2015	2014 (As Restated)
Sites	\$ 3,095,039	\$ 3,084,939
Improvement of sites	203,742	193,696
Buildings and improvements	10,432,678	10,472,685
Equipment	466,383	361,550
Construction in progress	560,203	689,833
Total	<u>\$ 14,758,045</u>	<u>\$ 14,802,703</u>

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

Long-term obligations. At the end of the current fiscal year, the District had total long-term obligations of \$22.3 billion. Of this amount, \$10.7 billion comprises debt to be repaid by voter-approved property taxes and not by the General Fund of the District.

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

	Governmental Activities	
	2015	2014 (As Restated)
General Obligation Bonds	\$ 10,707,885	\$ 11,011,840
Certificates of Participation (COPs)	307,921	383,237
Capital Lease Obligations	1,931	2,162
Children's Center Facilities Revolving Loan	476	555
Liability for Compensated Absences	65,317	61,660
Liability for Other Employee Benefits	61,081	68,008
Self-insurance Claims	720,710	640,178
Net Pension Liability	4,485,612	5,382,206
Other Postemployment Benefits (OPEB)	5,971,018	5,351,835
Total	<u>\$ 22,321,951</u>	<u>\$ 22,901,681</u>

LOS ANGELES UNIFIED SCHOOL DISTRICT

Management's Discussion and Analysis

June 30, 2015

The District's total long-term obligations decreased by \$580.0 million (-2.5%) during the current fiscal year. The key factor in this decrease is payment of matured COPs and GO Bonds.

Long-Term Credit Ratings

Moody's Investor Service ("Moody's") and Standard and Poor's ("S&P") currently rate the District's General Obligation Bonds and Certificates of Participation (COPs). The District requested withdrawal of all Fitch ratings in September 2009. The District's current underlying ratings on its general obligation bonds are "Aa2" and "AA-" from Moody's and S&P, respectively. The District's COPs are currently rated A1 and A+ by Moody's and S&P, respectively. The District purchased municipal bond insurance and/or reserve surety bond policies at the time of issuance for some of its COPs and bonds. Moody's, S&P and Fitch assigned insured ratings of "Aaa", "AAA" and "AAA", respectively, on said COPs and bonds at the time of issuance. Subsequent to February 1, 2008, the rating agencies downgraded the ratings of certain bond insurers, including all of those who had issued bond insurance policies and/or surety bonds on District issues.

State statutes limit the issuance of general obligation bond debt by a unified school district if the outstanding general obligation bonds are more than 2.5% of its total taxable property. The debt limitation for the District as of June 30, 2015 is \$13.3 billion, which is in excess of the District's outstanding general obligation bond debt net of assets available in the Bond Interest and Redemption Fund for payment of principal.

Additional information on the District's long-term obligations can be found in Notes 11 and 12 on pages 64-69 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 (www.lausd.net). 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, 2015
(in thousands)

	Governmental Activities
Assets:	
Cash in county treasury, in banks, and on hand	\$ 4,386,566
Cash held by trustee	55,180
Property taxes receivable	76,198
Accounts receivable, net	395,248
Accrued interest receivable	11,912
Prepays	46,262
Inventories	23,670
Accounts receivable, non current	24,928
Other assets	5,885
Capital assets:	
Sites	3,095,039
Improvement of sites	590,264
Buildings and improvements	15,111,900
Equipment	1,863,980
Construction in progress	560,203
Less accumulated depreciation	<u>(6,463,341)</u>
Total Capital Assets, Net of Depreciation	<u>14,758,045</u>
Total Assets	<u>19,783,894</u>
Deferred Outflows of Resources	<u>529,263</u>
Liabilities:	
Vouchers and accounts payable	241,625
Contracts payable	33,215
Accrued payroll	231,916
Accrued interest	254,934
Other payables	153,796
Unearned revenue	14,789
Long-term liabilities:	
Portion due within one year	805,807
Portion due after one year	17,030,532
Net Pension Liability	<u>4,485,612</u>
Total Liabilities	<u>23,252,226</u>
Deferred Inflows of Resources	<u>1,229,928</u>
Net Position:	
Net investment in capital assets	4,582,066
Restricted for:	
Debt service	402,208
Program activities	1,077,629
Unrestricted	<u>(10,230,900)</u>
Total Net Position	<u><u>\$ (4,168,997)</u></u>

See accompanying notes to basic financial statements.

LOS ANGELES UNIFIED SCHOOL DISTRICT
Statement of Activities
Year Ended June 30, 2015
(in thousands)

Functions/programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental activities:					
Instruction	\$ 3,993,707	\$ 25,484	\$ 976,732	\$ —	\$ (2,991,491)
Support services – students	339,295	—	148,045	—	(191,250)
Support services – instructional staff	507,045	92	215,431	—	(291,522)
Support services – general administration	41,981	—	234	—	(41,747)
Support services – school administration	389,493	—	36,593	—	(352,900)
Support services – business	238,015	7,599	70,148	—	(160,268)
Operation and maintenance of plant services	572,960	29,075	10,514	2	(533,369)
Student transportation services	166,628	—	30,704	—	(135,924)
Data processing services	22,092	—	9	—	(22,083)
Operation of non-instructional services	483,043	7,406	406,971	—	(68,666)
Facilities acquisition and construction services*	199,654	77,808	62,456	20,556	(38,834)
Other Uses	6,502	—	—	—	(6,502)
Interest expense	442,977	—	795	62,245	(379,937)
Depreciation – unallocated**	522,238	—	—	—	(522,238)
Unfunded OPEB expense – unallocated	619,183	—	—	—	(619,183)
Total Governmental Activities	<u>\$ 8,544,813</u>	<u>\$ 147,464</u>	<u>\$ 1,958,632</u>	<u>\$ 82,803</u>	<u>(6,355,914)</u>
General revenues:					
Taxes:					
Property taxes, levied for general purposes					1,100,523
Property taxes, levied for debt service					808,603
Property taxes, levied for community redevelopment					23,230
State aid not restricted to specific purpose					3,699,731
Grants, entitlements, and contributions not restricted to specific programs					134,317
Unrestricted investment earnings					8,501
Miscellaneous					7,816
Total General Revenues					<u>5,782,721</u>
Change in Net Position					(573,193)
Net Position – Beginning of Year, Restated					<u>(3,595,804)</u>
Net Position – End of Year					<u>\$ (4,168,997)</u>

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

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

See accompanying notes to basic financial statements.

LOS ANGELES UNIFIED SCHOOL DISTRICT
Balance Sheet
Governmental Funds
June 30, 2015
(in thousands)

	General	District Bonds	County School Facilities Bonds	Bond Interest and Redemption	Other Governmental Funds	Total Governmental Funds
Assets:						
Cash in county treasury, in banks, and on hand	\$ 945,961	\$ 771,881	\$ 474,092	\$ 807,735	\$ 365,454	\$ 3,365,123
Cash held by trustee	7,770	—	—	—	47,410	55,180
Taxes receivable	—	—	—	76,198	—	76,198
Accounts receivable – net	327,723	3,398	—	—	55,956	387,077
Accrued interest receivable	3,350	2,919	1,577	—	1,105	8,951
Due from other funds	23,600	—	—	—	—	23,600
Inventories	18,016	—	—	—	5,654	23,670
Total Assets	1,326,420	778,198	475,669	883,933	475,579	3,939,799
Deferred Outflows of Resources	—	—	—	—	—	—
Total Assets and Deferred Outflows of Resources	\$ 1,326,420	\$ 778,198	\$ 475,669	\$ 883,933	\$ 475,579	\$ 3,939,799
Liabilities and Fund Balances:						
Vouchers and accounts payable	\$ 180,166	\$ 51,030	\$ 991	\$ —	\$ 3,964	\$ 236,151
Contracts payable	2,777	23,987	2,919	—	3,532	33,215
Accrued payroll	216,155	6,871	117	—	9,664	232,807
Other payables	93,493	4,785	506	—	7,646	106,430
Due to other funds	—	—	—	—	23,600	23,600
Unearned revenue	14,023	—	—	—	766	14,789
Total Liabilities	506,614	86,673	4,533	—	49,172	646,992
Deferred Inflows of Resources:						
Property Taxes	—	—	—	76,198	—	76,198
Build America Bond Subsidy	—	—	—	34,328	—	34,328
Total Deferred Inflows of Resources	—	—	—	110,526	—	110,526
Fund Balances:						
Nonspendable	20,653	3,430	—	—	5,686	29,769
Restricted	126,519	688,095	471,136	773,407	—	2,059,157
Restricted, reported in:						
Special revenue funds	—	—	—	—	22,521	22,521
Debt service funds	—	—	—	—	56,205	56,205
Capital projects funds	—	—	—	—	150,185	150,185
Committed, reported in:						
Special revenue funds	—	—	—	—	5,395	5,395
Assigned	418,424	—	—	—	—	418,424
Assigned, reported in:						
Special revenue funds	—	—	—	—	550	550
Capital projects funds	—	—	—	—	185,865	185,865
Unassigned:						
Reserved for economic uncertainties	65,376	—	—	—	—	65,376
Unassigned	188,834	—	—	—	—	188,834
Total Fund Balances	819,806	691,525	471,136	773,407	426,407	3,182,281
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 1,326,420	\$ 778,198	\$ 475,669	\$ 883,933	\$ 475,579	\$ 3,939,799

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, 2015
(in thousands)

Total Fund Balances – Governmental Funds	\$ 3,182,281
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. The cost of the assets is \$21,221,386 and the accumulated depreciation is \$6,463,341	14,758,045
Property taxes receivable will be collected this year, but are not available soon enough to pay the current period's expenditures and therefore are unearned in the funds.	76,198
Receivables that will be collected in the following year and thereafter that are not available soon enough to pay the current period's expenditures.	28,487
Federal subsidies for debt service expenditures are recognized in the governmental funds only when the corresponding interest expenditure is recognized.	34,328
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.	298,658
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds.	(17,368,577)
Deferred outflow/inflow of resources – refunding charges are not reflected in fund financials	140,202
Adoption of GASB 68 required the District to recognize its proportionate share of net pension liability in the government wide financial statements	<u>(5,318,619)</u>
Total Net Position – Governmental Activities	<u><u>\$ (4,168,997)</u></u>

See accompanying notes to basic financial statements.

LOS ANGELES UNIFIED SCHOOL DISTRICT
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
Year Ended June 30, 2015
(in thousands)

	General	District Bonds	County School Facilities Bonds	Bond Interest and Redemption	Other Governmental Funds	Total Governmental Funds
Revenues:						
Local Control Funding Formula sources	\$ 4,742,107	\$ —	\$ —	\$ —	\$ 58,147	\$ 4,800,254
Federal revenues	646,753	1,752	—	68,405	344,306	1,061,216
Other state revenues	905,421	—	15,447	4,374	108,408	1,033,650
Other local revenues	125,788	27,407	3,456	806,678	135,162	1,098,491
Total Revenues	6,420,069	29,159	18,903	879,457	646,023	7,993,611
Expenditures:						
Current:						
Certificated salaries	2,782,544	—	—	—	74,985	2,857,529
Classified salaries	847,220	63,220	559	—	156,488	1,067,487
Employee benefits	1,564,868	57,158	239	—	151,225	1,773,490
Books and supplies	275,611	2,855	38	—	189,006	467,510
Services and other operating expenditures	712,469	53,375	1,489	—	11,269	778,602
Capital outlay	15,603	452,029	30,788	—	35,297	533,717
Debt service – principal	868	—	—	332,225	35,145	368,238
Debt service – refunding bond issuance cost	—	—	—	1,308	—	1,308
Debt service – bond, COPs, and capital leases interest	45	—	—	492,773	15,019	507,837
Other outgo	6,502	—	—	—	—	6,502
Total Expenditures	6,205,730	628,637	33,113	826,306	668,434	8,362,220
Excess (Deficiency) of Revenues Over (Under) Expenditures	214,339	(599,478)	(14,210)	53,151	(22,411)	(368,609)
Other Financing Sources (Uses):						
Transfers in	3,135	123,327	1,956	—	176,259	304,677
Transfers – support costs	28,241	—	—	—	(28,241)	—
Transfers out	(127,554)	(95,506)	(61,608)	—	(30,150)	(314,818)
Issuance of bonds	—	135,830	—	—	—	135,830
Issuance of refunding bonds	—	—	—	326,045	—	326,045
Payment to refunded bond escrow agent	—	—	—	(387,556)	—	(387,556)
Premium on refunding bonds issued	—	—	—	62,819	—	62,819
Premium on bonds issued	—	—	—	6,302	—	6,302
Payment to COPs escrow agent	—	—	—	—	(33,218)	(33,218)
Insurance proceeds – fire damage	758	—	—	—	—	758
Capital leases	637	—	—	—	—	637
Land and building sale	—	—	—	—	139	139
Total Other Financing Sources (Uses)	(94,783)	163,651	(59,652)	7,610	84,789	101,615
Net Changes in Fund Balances	119,556	(435,827)	(73,862)	60,761	62,378	(266,994)
Fund Balances, July 1, 2014	700,250	1,127,352	544,998	712,646	364,029	3,449,275
Fund Balances, June 30, 2015	\$ 819,806	\$ 691,525	\$ 471,136	\$ 773,407	\$ 426,407	\$ 3,182,281

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, 2015
(in thousands)

Net Changes in Fund Balances – Governmental Funds	\$ (266,994)
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.	(44,660)
Some of the capital assets acquired this year were financed with capital leases. The amount financed is reported in the governmental funds as a source of financing. On the other hand, the proceeds are not revenues in the statement of activities, but rather, constitute long-term liabilities in the statement of net position.	(637)
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.	327,137
Premiums and discounts are reported as other financing sources and uses in the governmental funds, but constitute additions and reductions to liabilities in the statement of net position.	(69,121)
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.	9,285
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).	3,422
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.	66,169
OPEB expenditures are recorded in the governmental funds to the extent of amounts actually funded. In the statement of activities, however, the expense is recorded for the full amount of the accrual-basis annual OPEB cost.	(619,183)
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.	(30,621)
Legal settlement gains are recognized in the government wide statements as soon as the underlying event has occurred but not until collected in the governmental funds.	(3,559)
Federal subsidies for debt interest payments are recognized in the government wide statement as soon as it is earned. In the governmental funds, it is recorded when the corresponding interest expenditure is recognized.	(37)
Adoption of GASB 68 recognizes actuarial pension expense in the government wide statements and reclassify actual pension contribution in the current year as deferred outflow of resources.	55,606
Change in Net Position of Governmental Activities	<u><u>\$ (573,193)</u></u>

See accompanying notes to basic financial statements.

LOS ANGELES UNIFIED SCHOOL DISTRICT
Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual
General Fund
Year Ended June 30, 2015
(in thousands)

	Budget		Actual	Variance with Final Budget – Favorable (Unfavorable)
	Original	Final		
Revenues:				
Local Control Funding Formula sources	\$ 4,672,873	\$ 4,718,643	\$ 4,742,107	\$ 23,464
Federal revenues	727,900	767,002	646,753	(120,249)
Other state revenues	705,239	763,750	905,421	141,671
Other local revenues	117,056	122,720	125,788	3,068
Total Revenues	6,223,068	6,372,115	6,420,069	47,954
Expenditures:				
Current:				
Certificated salaries	2,694,570	2,928,639	2,782,544	146,095
Classified salaries	828,596	866,629	846,720	19,409
Employee benefits	1,472,670	1,570,639	1,564,868	5,771
Books and supplies	526,632	352,893	275,611	77,282
Services and other operating expenditures	724,583	781,317	712,469	68,848
Capital outlay	12,481	21,474	15,603	5,871
Debt service – principal	—	1,006	868	138
Debt service – bond, COP's, and capital leases interest	1,038	32	45	(13)
Other outgo	1,054	7,354	6,502	852
Total Expenditures	6,261,624	6,529,983	6,205,730	324,253
Excess (Deficiency) of Revenues Over (Under) Expenditures	(38,556)	(157,868)	214,339	372,207
Other Financing Sources (Uses):				
Transfers in	—	1,086	3,135	2,049
Transfers – support costs	25,031	29,140	28,241	(899)
Transfers out	(153,843)	(153,802)	(127,554)	26,248
Insurance proceeds – fire damage	1,500	1,500	758	(742)
Capital leases	—	—	637	637
Total Other Financing Uses	(127,312)	(122,076)	(94,783)	27,293
Net Changes in Fund Balances	(165,868)	(279,944)	119,556	399,500
Fund Balances, July 1, 2014	655,199	700,250	700,250	—
Fund Balances, June 30, 2015	\$ 489,331	\$ 420,306	\$ 819,806	\$ 399,500

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, 2015
(in thousands)

Assets:	
Cash in county treasury, in banks, and on hand	\$ 1,021,443
Accounts receivable – net	4,612
Accrued interest and dividends receivable	2,961
Prepays	46,262
Other assets	5,885
	<hr/>
Total Assets	1,081,163
	<hr/>
Deferred Outflows of Resources	692
	<hr/>
Liabilities:	
Current:	
Vouchers and accounts payable	5,474
Accrued payroll	1,096
Other payables	47,366
Estimated liability for self-insurance claims	297,279
	<hr/>
Total Current Liabilities	351,215
Noncurrent:	
Estimated liability for self-insurance claims	423,431
Net Pension Liability	6,411
	<hr/>
Total Liabilities	781,057
	<hr/>
Deferred Inflows of Resources	2,140
	<hr/>
Total Net Position – Unrestricted	\$ 298,658
	<hr/> <hr/>

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, 2015
(in thousands)

Operating Revenues:	
In-District premiums	\$ 1,182,322
Others	396
Total Operating Revenues	<u>1,182,718</u>
Operating Expenses:	
Certificated salaries	166
Classified salaries	5,567
Employee benefits	2,684
Supplies	395
Premiums and claims expenses	1,206,200
Claims administration	12,894
Other contracted services	1,996
Total Operating Expenses	<u>1,229,902</u>
Operating Loss	<u>(47,184)</u>
Nonoperating Revenues (Expenses):	
Investment income	6,449
Miscellaneous expense	(27)
Total Nonoperating Revenues	<u>6,422</u>
Income (Loss) before Transfers	(40,762)
Transfers in	<u>10,141</u>
Changes in Net Position	(30,621)
Total Net Position, July 1, 2014, Restated	<u>329,279</u>
Total Net Position, June 30, 2015	<u><u>\$ 298,658</u></u>

See accompanying notes to basic financial statements.

LOS ANGELES UNIFIED SCHOOL DISTRICT
Statement of Cash Flows
Proprietary Funds
Governmental Activities – Internal Service Funds
Year Ended June 30, 2015
(in thousands)

Cash Flows from Operating Activities:	
Cash payments to employees for services	\$ (8,791)
Cash payments for goods and services	(1,122,941)
Receipts from assessment to other funds	1,182,288
Other operating revenue	396
Net Cash Provided by Operating Activities	<u>50,952</u>
Cash Flows from Non-Capital Financing Activities:	
Transfer from other funds	10,141
Net Cash Provided by Non-Capital Financing Activities	<u>10,141</u>
Cash Flows from Investing Activities:	
Earnings on investments	6,579
Net Cash Provided by Investing Activities	<u>6,579</u>
Net Increase in Cash and Cash Equivalent	67,672
Cash and Cash Equivalents, July 1	<u>953,771</u>
Cash and Cash Equivalents, June 30	<u><u>\$ 1,021,443</u></u>
Reconciliation of Operating Loss to Net Cash Provided by Operating Activities:	
Operating Income (loss)	\$ (47,184)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Net decrease in pension expense from actuarial valuation	(123)
Change in Assets: Decrease (Increase)	
Accounts receivable	2,572
Prepays	(78)
Other assets	(432)
Change in Liabilities: Increase (Decrease)	
Vouchers and accounts payable	1,039
Accrued payroll	(251)
Other payables	14,878
Estimated liability for self-insurance claims – current	33,578
Estimated liability for self-insurance claims – noncurrent	46,953
Total Adjustments	<u>98,136</u>
Net Cash Provided by Operating Activities	<u><u>\$ 50,952</u></u>

See accompanying notes to basic financial statements.

LOS ANGELES UNIFIED SCHOOL DISTRICT
Statement of Net Position
Fiduciary Funds
June 30, 2015
(in thousands)

	Other Postemployment Benefits (OPEB) Trust Fund	Agency Funds
Assets:		
Cash in county treasury, in banks, and on hand	\$ —	\$ 128,849
Cash held by trustee	90,156	—
Accrued interest receivable	—	54
Total Assets	<u>\$ 90,156</u>	<u>\$ 128,903</u>
Liabilities:		
Other payables	\$ —	\$ 128,903
Total Liabilities	<u>\$ —</u>	<u>\$ 128,903</u>
Net Position:		
Restricted for other postemployment benefits	<u>\$ 90,156</u>	

See accompanying notes to basic financial statements.

LOS ANGELES UNIFIED SCHOOL DISTRICT
Statement of Changes in Net Position
Fiduciary Funds
Year Ended June 30, 2015
(in thousands)

	Other Postemployment Benefits (OPEB) Trust Fund
Additions:	
In-District contributions	\$ 30,000
Other local revenues	239
Total Additions	<u>30,239</u>
Deductions:	
Administrative expenses	83
Total Deductions	<u>83</u>
Change in net position	30,156
Total Net Position, June 30, 2014	<u>60,000</u>
Total Net Position, June 30, 2015	<u><u>\$ 90,156</u></u>

See accompanying notes to basic financial statements.

LOS ANGELES UNIFIED SCHOOL DISTRICT

Notes to Basic Financial Statements

Year Ended June 30, 2015

(1) Summary of Significant Accounting Policies

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

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

(a) Reporting Entity

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

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

Blended Component Units

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

On July 1, 2014, the District entered into a joint venture agreement with Los Angeles Trust for Children's Health as the original participant to form Los Angeles Unified School District Risk Management Authority (LAUSDRMA). LAUSDRMA was formed to permit the participants to jointly exercise their common powers to self-insure, pool, and jointly fund and purchase insurance, and to establish insurance programs for a variety of risks. This joint venture also meets GASB's reporting definition criteria of a blended component unit. Detailed information about LAUSDRMA's

LOS ANGELES UNIFIED SCHOOL DISTRICT

Notes to Basic Financial Statements

Year Ended June 30, 2015

Financial Statements is available in a separately issued financial report. Copies of the said report may be obtained by written request to General Manager/Secretary, LAUSDRMA, 333 S. Beaudry Avenue, 28th Floor, Los Angeles, CA 90017.

(b) *Government-wide and Fund Financial Statements*

The District's basic financial statements consist of fund financial statements and government-wide statements which are intended to provide an overall viewpoint of the District's finances. The government-wide financial statements, which are the statement of net position and the statement of activities, report information on all nonfiduciary District funds excluding the effect of interfund activities. Governmental activities, which are normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which are primarily supported by fees and service charges. The District does not conduct any business-type activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function; and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements on pages 16 and 18. Nonmajor funds are aggregated in a single column.

(c) *Measurement Focus and Basis of Accounting*

The government-wide financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary and trust funds. Revenues are recorded when earned and expenses are recorded when the liability is incurred, regardless of the timing of related cash flows. The agency funds report only assets and liabilities and therefore have no measurement focus.

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

Federal revenues and State apportionments and allowances are determined to be available and measurable when entitlement occurs or related eligible expenditures are incurred. Secured and unsecured property taxes related to debt service and community redevelopment purposes that are estimated to be collectible and receivable within 60 days of the current period are recorded as

LOS ANGELES UNIFIED SCHOOL DISTRICT

Notes to Basic Financial Statements

Year Ended June 30, 2015

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

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

(d) Financial Statement Presentation

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

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

(e) Fund Accounting

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

Major Governmental Funds

The District has the following major governmental funds for the fiscal year 2014-15:

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

LOS ANGELES UNIFIED SCHOOL DISTRICT

Notes to Basic Financial Statements

Year Ended June 30, 2015

District Bonds Fund – This category represents the total of the following building accounts: Building Account – Bond Proceeds (BB Bonds), established to account for bond proceeds received as a result of the passage of Proposition BB; Building Account – Measure K, established to account for bond proceeds received as a result of the issuance of General Obligation Bonds (GO Bonds) authorized pursuant to ballot measure “Measure K”; Building Account – Measure R, established to account for bond proceeds received by the passage of Measure R; and Building Account – Measure Y, established to account for bond proceeds received by the passage of Measure Y.

County School Facilities Bonds Fund – This fund is established 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).

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, and Measure Y). Revenues are derived from ad valorem taxes levied upon all property subject to tax by the District.

Other Governmental Funds

The District has the following nonmajor governmental funds:

Special Revenue Funds – Special Revenue Funds are used to account for the proceeds of specific revenue sources that are restricted or committed to expenditures for the specific purpose (other than debt service or capital projects) of the individual funds. The District maintains the following Special Revenue Funds: Adult Education, Cafeteria, and Child Development.

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 2014-15.

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, State School Building Lease-Purchase, Special Reserve, Special Reserve – FEMA-Earthquake, Special Reserve – FEMA-Hazard Mitigation, Special Reserve – Community Redevelopment Agency, and Capital Facilities Account. The District Bonds Fund (BB Bonds, Measure K, Measure R, and Measure Y) and the County School Facilities Bonds Fund (Proposition 1A, Proposition 47, Proposition 55, and Proposition 1D) are reported separately as a major fund in fiscal year 2014-15.

LOS ANGELES UNIFIED SCHOOL DISTRICT

Notes to Basic Financial Statements

Year Ended June 30, 2015

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 and Liability Self-Insurance Funds, the estimates are determined by applying an appropriate discount rate to estimated future claim payments. No discount is applied to estimated Health and Welfare Benefits Fund claims because they are generally paid within a short period of time after the claims are filed.

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

Fiduciary Funds

The District has the following Fiduciary Funds:

Agency Funds – Agency Funds are used to report resources held by the reporting government in a purely custodial capacity. Accordingly, all assets reported are offset by a liability to the party on whose behalf they are held. Agency funds typically involve only the receipt, temporary investment, and remittance of fiduciary resources to individuals, private organizations or other governments. The District maintains the following agency funds:

Attendance Incentive Reserve Fund – The Attendance Incentive Reserve Fund is used to account for 50% of funds from salary savings as a result of reduced costs of absenteeism of the United Teachers of Los Angeles (UTLA) represented employees.

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

Payroll Agency Fund – The Payroll Agency Fund is used to account for cash held by the District consisting of state and federal income taxes, social security taxes, retirement deductions and

LOS ANGELES UNIFIED SCHOOL DISTRICT

Notes to Basic Financial Statements

Year Ended June 30, 2015

other amounts withheld from the payroll checks of employees, from which a legal or contractual obligation exists to remit monies to a third party.

Pension (and Other Employee Benefit) Trust Fund – The Pension (and Other Employee Benefit) Trust Fund is used to report resources that are required to be held in trust for the members and beneficiaries of defined benefit pension plans, defined contribution plans, or other postemployment benefit plans. The District maintains one type of pension trust fund:

Other Postemployment Benefits (OPEB) Trust Fund – The OPEB Trust Fund accounts for all financial resources used to provide health and welfare benefits to District retirees in accordance with collective bargaining unit agreements and Board rules. These are non-pension benefits that the District has committed to its employees as future compensation for services already rendered.

(f) *Budgetary Control and Encumbrances*

School districts in California are required by Education Code Section 41010 to follow the *California School Accounting Manual* in preparing reports to the State. The District utilizes a single-adoption budget schedule that requires Final Budget adoption by the State-mandated July 1 deadline. The District is allowed to modify its adopted budget within 45 days of the passage of the State budget. In addition, the District revises the budget during the year to give consideration to unanticipated revenues and expenditures (see Note 4 – Budgetary Appropriation Amendments).

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

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

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

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

LOS ANGELES UNIFIED SCHOOL DISTRICT

Notes to Basic Financial Statements

Year Ended June 30, 2015

(g) *Cash and Investments*

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

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

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

(h) *Short-term Interfund Receivables/Payables*

Occasionally, a fund will not have sufficient cash to meet its financial obligations and a cash transfer will be required to enable that fund to pay its outstanding invoices and other obligations. These temporary borrowings between funds are classified as "due from other funds" or "due to other funds" on the governmental funds balance sheet. Interfund balances within governmental activities are eliminated on the government-wide statement of net position.

(i) *Inventories*

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

(j) *Capital Assets*

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

Projects under construction are recorded at cost as construction in progress and transferred to the appropriate asset account when substantially complete. Costs of major improvements and

LOS ANGELES UNIFIED SCHOOL DISTRICT

Notes to Basic Financial Statements

Year Ended June 30, 2015

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, 2015.

(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.

LOS ANGELES UNIFIED SCHOOL DISTRICT

Notes to Basic Financial Statements

Year Ended June 30, 2015

(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 Employment Retirement System (CalPERS) pension plans and additions to/deductions from CalSTRS and CalPERS pension plans' fiduciary net position have been determined on the same basis as they are reported by CalSTRS and CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

(n) Long-term Obligations

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

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

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

LCFF sources are the basic financial support for District activities. The District's LCFF is received from a combination of local property taxes, EPA, and state apportionments. For the fiscal year 2014-15, the District received \$930.7 million of local property taxes, \$733.6 million of EPA, and \$3,136.0 million of State aid.

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

The county is responsible for assessing, collecting, and apportioning property taxes. Taxes are levied for each fiscal year on taxable real and personal property in the county. The levy is based on the

LOS ANGELES UNIFIED SCHOOL DISTRICT

Notes to Basic Financial Statements

Year Ended June 30, 2015

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 and the personal income tax rates for upper-income taxpayers which are set to expire at the end of 2016 and 2018 respectively. A portion of the revenues generated by the measure's temporary tax increases is deposited into the EPA which is used to support increased school funding.

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

(p) Estimates

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

(q) New Accounting Pronouncements

The GASB has issued Statement No. 68, *Accounting and Financial Reporting for Pensions – An Amendment of GASB Statement No. 27*, effective for period beginning after June 15, 2014. This statement replaces the requirements of GASB Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, as well as GASB Statement No. 50, *Pension Disclosures*, as they relate to pensions that are provided through pension plans administered as trusts or equivalent arrangements that meet certain criteria. It improves the accounting and financial reporting by state and local government for pensions with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity and creating additional transparency. It also establishes standards for measuring and recognizing liabilities, deferred outflows and inflows of resources and expense/expenditures.

LOS ANGELES UNIFIED SCHOOL DISTRICT

Notes to Basic Financial Statements

Year Ended June 30, 2015

In 2015, the District adopted GASB Statement No. 68, which requires the restatement of the June 30, 2014 net position in governmental activities by the amount of the District's net pension liability as this liability is now required to be recognized in the financial statements of employers participating in the plan. The result is a decrease in net position at July 1, 2014 of \$5.4 billion. This change is in accordance with generally accepted accounting principles.

The GASB has issued Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. The provisions of this statement are required to be applied simultaneously with the provisions of GASB Statement No. 68. This statement requires that at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. The adoption of this standard in the current fiscal year resulted to a recognition of \$368.2 million deferred outflow of resources in the District's Statement of Net Position in the Government-wide 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 Statement of Activities (in thousands):

Net position at beginning of year, as previously reported	\$ 1,662,641
Restatements –	
Recognition of the proportionate share of net pension liability	(5,382,206)
Recognition of the effect of E-Rate subsidy to capital assets	123,761
Net position at beginning of year, as restated	<u>\$ (3,595,804)</u>

The District participates in the Federal E-Rate program that provides financial assistance to schools and libraries for eligible telecommunication services. In the past, the District's accounting treatment differed between rebates and discounts offered under the program. Rebates were recognized as revenue, while discounts were abated against expenditures. The expenditure abatement resulted in an understatement of the net book value of capital assets acquired through the program. Effective fiscal year 2014-15, the District implemented a change in accounting treatment that recognizes E-Rate discounts as revenue, and capital expenditures at full value. As a result of the change, the net position as of June 30, 2014 was increased by \$123.8 million.

(2) **Tax and Revenue Anticipation Notes**

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

The District did not issue TRANs in fiscal years 2013-14 and 2014-15 owing to a combination of the State increasing its funding of school districts and reducing its cash deferrals.

LOS ANGELES UNIFIED SCHOOL DISTRICT

Notes to Basic Financial Statements

Year Ended June 30, 2015

(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 funds.” The details of the \$17,368,577 difference are as follows (in thousands):

Bonds payable	\$ (10,707,885)
Certificates of Participation (COPs)	(307,921)
Capital lease obligations	(1,931)
Children Center Facilities Revolving loan	(476)
Liability for compensated absences	(63,464)
Retirement bonus	(60,948)
Other Postemployment Benefits (OPEB)	(5,971,018)
Accrued interest	(254,934)
	<hr/>
Net adjustment to reduce <i>total fund balances – governmental funds</i> to arrive at <i>net position – governmental activities</i>	<u><u>\$ (17,368,577)</u></u>

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

The governmental fund statement of revenues, expenditures and changes in fund balances includes a reconciliation between *total net changes in fund balances – governmental funds* and *changes in net position of governmental activities* as reported in the accompanying government-wide statement of activities. One element of that reconciliation explains that “Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.” The details of this \$44,660 difference are as follows (in thousands):

Capital related expenditures	\$ 533,717
Loss on disposal	(18,436)
Depreciation expense	(559,941)
	<hr/>
Net adjustment to decrease net changes in <i>total fund balances – governmental funds</i> to arrive at <i>changes in net position – governmental activities</i>	<u><u>\$ (44,660)</u></u>

LOS ANGELES UNIFIED SCHOOL DISTRICT

Notes to Basic Financial Statements

Year Ended June 30, 2015

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 \$327,137 difference are as follows (in thousands):

Debt issued or incurred:	
General Obligation Bonds	\$ (461,875)
Principal repayments:	
General Obligation Bonds	332,225
Certificates of Participation	35,066
Refunding General Obligation Bonds and Certificates of Participation	420,774
Children Center Facilities Loan	79
Capital Leases	868
	<hr/>
Net adjustment to increase net changes in <i>total</i> <i>fund balances – governmental funds</i> to arrive at <i>changes in net position – governmental activities</i>	<hr/> <hr/> \$ 327,137

(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 \$268.4 million.

(5) Cash and Investments

Cash and investments as of June 30, 2015 are classified in the accompanying basic financial statements as follows (in thousands):

Statement of net position:	
Cash and investments	\$ 4,386,566
Cash and investments held by trustee	55,180
	<hr/>
Subtotal	4,441,746
Fiduciary funds:	
Cash and investments held by trustee	90,156
Cash and investments	128,849
	<hr/>
Total cash and investments	<hr/> <hr/> \$ 4,660,751

Cash and investments as of June 30, 2015 consist of the following (in thousands):

Cash on hand (cafeteria change funds)	\$ 19
Deposits with financial institutions and Los Angeles County Pool	4,660,732
	<hr/>
Total cash and investments	<hr/> <hr/> \$ 4,660,751

Deposits with financial institutions include cash in the Los Angeles County Pooled Surplus Investment Fund (\$4.39 billion), cash held by fiscal agents or trustees (\$55.2 million), cash deposited with various other financial institutions, for imprest funds of schools and offices (\$128.8 million), and cash deposited with trustee for other postemployment benefits (\$90.2 million).

LOS ANGELES UNIFIED SCHOOL DISTRICT

Notes to Basic Financial Statements

Year Ended June 30, 2015

School districts are required by Education Code Section 41001 to deposit their funds with the county treasury. Cash in county treasury refers to the fair value of the District's share of the Los Angeles County (County) Pooled Surplus Investment (PSI) Fund.

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

	Authorized Investment Type	Maximum Maturity	Maximum Total Par Value	Maximum Par Value per Issuer
A.	Obligations of the U.S. government, its agencies and instrumentalities.	None	None	None
B.	Approved Municipal Obligations	5 to 30 years	10% of PSI portfolio	None
C.	Asset-Backed Securities with highest ratings	5 years	20% of PSI portfolio	with credit rating limits
D.	Bankers' Acceptances Domestic and Foreign	180 days	40% of PSI portfolio	with credit rating limits
E.	Negotiable Certificates of Deposits – Domestic	3 years	30% of PSI portfolio	with credit rating limits
	Negotiable Certificates of Deposits – Euro	1 year	10% of PSI portfolio	with credit rating limits
F.	Corporate and Depository Notes	3 years	30% of PSI portfolio	with credit rating limits
G.	Floating Rate Notes	7 years	10% of PSI portfolio	with credit rating limits
H.	Commercial Paper of “prime” quality of the highest ranking or of the highest letter or number ranking as provided for by a nationally recognized statistical-rating organization (NRSRO)	270 days	40% of PSI portfolio	Lesser of 10% of PSI portfolio or credit rating limits
I.	Shares of Beneficial Interest – U.S. government obligations	None	15% of PSI portfolio with no more than 10% in any one fund	None
J.	Repurchase Agreement	30 days	\$1.0 billion	\$500 million/dealer
K.	Reverse Repurchase Agreement	1 year	\$500 million	\$250 million/broker
L.	Forwards, Futures and Options	90 days	\$100 million	\$50 million/counterparty
M.	Interest-Rate Swaps in conjunction with approved bonds and limited to highest credit rating categories.	None	None	None
N.	Securities Lending Agreement	180 days	20% of base portfolio value (combined total value of reverse purchase agreements and securities lending)	None
O.	Supranationals in accordance with Gov. Code 53601(q)	5 years	30% of PSI portfolio	with credit rating limits

LOS ANGELES UNIFIED SCHOOL DISTRICT

Notes to Basic Financial Statements

Year Ended June 30, 2015

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 less than 18 months. As of June 30, 2015, 54.89% of district funds in the County PSI Fund does not exceed one year. In addition, variable-rate notes that comprised 1.12% 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 two nationally recognized statistical rating organizations. For a short term debt issuer, the rating must be no less than A-1 from Standard & Poor's or P-1 from Moody's, while for a long-term debt issuer, the rating must be no less than A from Standard & Poor's or P-1 from Moody's. 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, 2015, the County did not exceed these limitations.

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

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

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

LOS ANGELES UNIFIED SCHOOL DISTRICT

Notes to Basic Financial Statements

Year Ended June 30, 2015

(6) Receivables/Payables

Receivables by Fund at June 30, 2015 consist of the following (in thousands):

	General	District Bonds	County School Facilities Bonds	Bond Interest and Redemption	Other Governmental	Internal Service Funds	Total
Taxes	\$ —	\$ —	\$ —	\$ 76,198	\$ —	\$ —	\$ 76,198
Accrued grants and entitlements	309,070	—	—	—	38,800	—	347,870
Other	18,653	3,398	—	—	17,156	4,612	43,819
Interest and dividends	3,350	2,919	1,577	—	1,105	2,961	11,912
Total Receivables	<u>\$ 331,073</u>	<u>\$ 6,317</u>	<u>\$ 1,577</u>	<u>\$ 76,198</u>	<u>\$ 57,061</u>	<u>\$ 7,573</u>	<u>\$ 479,799</u>

Payables by Fund at June 30, 2015 consist of the following (in thousands):

	General	District Bonds	County School Facilities Bonds	Other Governmental	Internal Service Funds	Total
Vouchers and accounts	\$ 180,166	\$ 51,030	\$ 991	\$ 3,964	\$ 5,474	\$ 241,625
Contracts	2,777	23,987	2,919	3,532	—	33,215
Accrued payroll	216,155	6,871	117	9,664	1,096	233,903
Other	93,493	4,785	506	7,646	47,366	153,796
Total payables	<u>\$ 492,591</u>	<u>\$ 86,673</u>	<u>\$ 4,533</u>	<u>\$ 24,806</u>	<u>\$ 53,936</u>	<u>\$ 662,539</u>

LOS ANGELES UNIFIED SCHOOL DISTRICT

Notes to Basic Financial Statements

Year Ended June 30, 2015

(7) Capital Assets

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

	Balance, June 30, 2014 (As Restated) *	Increases	Decreases	Balance, June 30, 2015
Governmental activities:				
Capital assets, not being depreciated:				
Sites	\$ 3,084,939	\$ 10,100	\$ —	\$ 3,095,039
Construction in progress	689,833	521,442	(651,072)	560,203
Total capital assets, not being depreciated	<u>3,774,772</u>	<u>531,542</u>	<u>(651,072)</u>	<u>3,655,242</u>
Capital assets, being depreciated:				
Improvement of sites	563,691	26,582	(9)	590,264
Buildings and improvements	14,698,220	413,755	(75)	15,111,900
Equipment	<u>1,835,225</u>	<u>212,910</u>	<u>(184,155)</u>	<u>1,863,980</u>
Total capital assets, being depreciated	<u>17,097,136</u>	<u>653,247</u>	<u>(184,239)</u>	<u>17,566,144</u>
Less accumulated depreciation for:				
Improvement of sites	(369,995)	(16,532)	5	(386,522)
Buildings and improvements	(4,225,535)	(453,718)	31	(4,679,222)
Equipment	<u>(1,473,675)</u>	<u>(89,691)</u>	<u>165,769</u>	<u>(1,397,597)</u>
Total accumulated depreciation	<u>(6,069,205)</u>	<u>(559,941)</u>	<u>165,805</u>	<u>(6,463,341)</u>
Total capital assets, being depreciated, net	<u>11,027,931</u>	<u>93,306</u>	<u>(18,434)</u>	<u>11,102,803</u>
Governmental activities capital assets, net	<u>\$ 14,802,703</u>	<u>\$ 624,848</u>	<u>\$ (669,506)</u>	<u>\$ 14,758,045</u>

* See Note 1r for explanation of the restatement.

LOS ANGELES UNIFIED SCHOOL DISTRICT

Notes to Basic Financial Statements

Year Ended June 30, 2015

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

Governmental activities:

Instruction	\$	3,952
Support services – students		434
Support services – instructional staff		1,030
Support services – general administration		118
Support services – school administration		2,610
Support services – business		1,987
Operation and maintenance of plant services		5,731
Student transportation services		7,720
Data processing services		11,601
Operation of noninstructional services		2,520
Facilities acquisition and construction		522,238
Total depreciation expense – governmental activities	\$	559,941

(8) Deferred Outflows and Inflows of Resources

District's deferred inflow and outflow of resources as of June 30, 2015 is comprised of the following (in thousands):

	Deferred Outflows	Deferred Inflows
Debt refunding charges	\$ 161,049	\$ 20,847
Pension contributions subsequent to measurement date	368,214	–
Unamortized differences between projected and actual earnings on plan investments	–	1,209,081
Total	\$ 529,263	\$ 1,229,928

(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.

LOS ANGELES UNIFIED SCHOOL DISTRICT

Notes to Basic Financial Statements

Year Ended June 30, 2015

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

Safety Plan

Plan Description and Benefits Provided

The District contributes to an agent multiple-employer plan for Safety, the Public Employees' Retirement Fund (PERF) – Safety Plan, a defined benefit pension plan administered by CalPERS. The plan provides service retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full time employment. Benefit provisions are established by state statutes, as legislatively amended, within the California Public Employees' Retirement Law.

The Safety Plan's provisions and benefits in effect at June 30, 2015, are summarized as follows:

	Safety	
	Prior to January 1, 2013	On or after January 1, 2013
Hiring date		
Benefit formula	3% @ 50	2.7% @ 57
Benefit vesting schedule	5 years service	5 years service
Benefit payments	monthly for life	monthly for life
Retirement age: minimum	50	57
Monthly benefit, as a % of eligible compensation	3.0%	2.70%
Required employee contribution rates	9.00%	12.75%
Required employer contribution rates	30.845%	30.845%

Employees Covered

At June 30, 2015, the following employees were covered by the benefit terms for the Safety Plan:

	Safety
Inactive employees or beneficiaries currently receiving the benefits	314
Inactive employees entitled to but not yet receiving benefits	143
Active employees	380
Total	837

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

LOS ANGELES UNIFIED SCHOOL DISTRICT

Notes to Basic Financial Statements

Year Ended June 30, 2015

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, 2015, the contributions to the Safety Plan of \$9.3 million were recognized as part of pension expense.

Net Pension Liability

The District's net pension liability for the Safety Plan of \$66.1 million at June 30, 2015 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, 2014, using an annual actuarial valuation as of June 30, 2013 rolled forward to June 30, 2014 using standard update procedures. A summary of principal assumptions and methods used to determine the net pension liability of the Safety Plan is shown below.

The total pension liability in the June 30, 2013 actuarial valuations were determined using the following actuarial assumptions:

	Safety
Valuation date	June 30, 2013
Measurement date	June 30, 2014
Actuarial cost method	Entry-Age Normal
Actuarial assumptions	
Discount rate	7.5%
Inflation	2.75%
Salary increases	Varies by entry age and service
Investment rate of return	7.5% ⁽¹⁾
Mortality rate table ⁽²⁾	Derived using CalPERS' membership data for all funds
Post retirement benefit increase	Contract COLA up to 2.75% until purchasing power protection allowance floor on purchasing power applies, 2.75% thereafter

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

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

All other actuarial assumptions used in the June 30, 2013 valuation were based on the results of an actuarial experience study for the period from 1997 to 2011, including updates to salary increases, mortality and retirement dates. The Experience Study report can be obtained at CalPERS' website under Forms and Publications.

LOS ANGELES UNIFIED SCHOOL DISTRICT

Notes to Basic Financial Statements

Year Ended June 30, 2015

Discount Rate

The discount rate used to measure the total pension liability of the Safety Plan was 7.5%. To determine whether the municipal bond rate should be used in the calculation of a discount rate for the Safety Plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current 7.5% discount rate is adequate, and the use of the municipal bond rate calculation is not necessary. The long-term expected discount rate of 7.5% is applied to all plans in the Public Employees Retirement Fund. The stress test results are presented in a detailed report called "GASB Crossover Testing Report" that can be obtained at CalPERS' website under the GASB 68 section.

According to Paragraph 30 of Statement 68, the long-term discount rate should be determined without reduction for pension plan administrative expense. The 7.5% investment return assumption used in this accounting valuation is net of administrative expenses. Administrative expenses are assumed to be 15 basis points. An investment return excluding administrative expenses would have been 7.65%. Using this lower discount rate has resulted in a slightly higher total pension liability and net pension liability.

CalPERS is scheduled to review all actuarial assumptions as part of its regular Asset Liability Management review cycle that is scheduled to be completed in February 2018. Any changes to the discount rate will require Board action and proper stakeholder outreach. For these reasons, CalPERS expects to continue using a discount rate net of administrative expenses for GASB 67 and 68 calculations through at least the 2017-18 fiscal year. CalPERS will continue to check the materiality of the difference in calculation until such time as we have changed our methodology.

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

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

LOS ANGELES UNIFIED SCHOOL DISTRICT

Notes to Basic Financial Statements

Year Ended June 30, 2015

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. These geometric rates of return are net of administrative expenses.

Asset Class	Safety		
	New Strategic Allocation	Real Return Years 1 - 10 ^(a)	Real Return Years 11+2 ^(b)
Global Equity	47.00%	5.25%	5.71%
Global Fixed Income	19.00	0.99	2.43
Inflation Sensitive	6.00	0.45	3.36
Private Equity	12.00	6.83	6.95
Real Estate	11.00	4.50	5.13
Infrastructure and Forestland	3.00	4.50	5.09
Liquidity	2.00	(0.55)	(1.05)
Total	100.00%		

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

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

Changes in the Net Pension Liability

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

	Safety		
	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability/(Asset)
Balance at June 30, 2014 ⁽¹⁾	\$ 296,973	\$ 213,160	\$ 83,813
Changes recognized for the measurement period:			
Service cost	8,284	—	8,284
Interest on the total pension liability	22,121	—	22,121
Changes of benefit terms	—	—	—
Differences between expected and actual experience	—	—	—
Changes of assumptions	—	—	—
Contributions from the employer	—	8,341	(8,341)
Contributions from employees	—	2,717	(2,717)
Net investment income ⁽²⁾	—	37,066	(37,066)
Benefit payments, including refunds of employee contributions	(12,325)	(12,325)	—
Net changes	18,080	35,799	(17,719)
Balance at June 30, 2015 ⁽¹⁾	\$ 315,053	\$ 248,959	\$ 66,094

⁽¹⁾ The fiduciary net position includes receivables for employee buybacks, deficiency reserves, fiduciary self-insurance, and OPEB expense. This may differ from the plan assets reported in the funding actuarial valuation report.

⁽²⁾ Net of administrative expenses.

LOS ANGELES UNIFIED SCHOOL DISTRICT

Notes to Basic Financial Statements

Year Ended June 30, 2015

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 7.5%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5%) or 1-percentage-point higher (8.5%) than the current rate (in thousands):

	1.0% Decrease (6.5%)	Current Discount Rate (7.5%)	1.0% Increase (8.5%)
District's Net Pension Liability	\$ 108,580	\$ 66,094	\$ 30,982

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 Resource Related to Pensions

For the year ended June 30, 2015, the District recognized pension expense of \$7.6 million.

As of June 30, 2015, 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
Net difference between projected and actual earnings on pension plan investments	\$ —	\$ 16,956
District contributions subsequent to the measurement date	9,342	—
Total	<u>\$ 9,342</u>	<u>\$ 16,956</u>

The amounts above are net of outflows and inflows recognized in the 2013-14 measurement period expense.

\$9.3 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, 2016. Other amounts reported as deferred inflows of resources related to pensions will be recognized as pension expense as follows (in thousands):

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Year Ended June 30, 2015

<u>Year ended June 30</u>	<u>Safety</u>
2016	\$ 4,239
2017	4,239
2018	4,239
2019	4,239

Payable to the Pension Plan

The District's contribution for all members to the Safety Plan for the fiscal year ended June 30, 2015 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, 2015.

Miscellaneous Plan

Plan Description and Benefits Provided

The District contributes to a cost-sharing multiple-employer plan, the Public Employees' Retirement Fund (PERF) Miscellaneous Plan, a defined benefit pension plan administered by CalPERS. The plan provide sevice 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, 2015, are summarized as follows:

	<u>Miscellaneous</u>	
	<u>Prior to January 1, 2013</u>	<u>On or after January 1, 2013</u>
Hiring date		
Benefit formula	2.0% @ 55	2.0% @ 62
Benefit vesting schedule	5 years service	5 years service
Benefit payments	monthly for life	monthly for life
Retirement age: Minimum	50	52
Monthly benefit, as a % of eligible compensation	1.10%	1.00%
Required employee contribution rates	7.00%	6.00%
Required employer contribution rates	11.771%	11.771%

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

LOS ANGELES UNIFIED SCHOOL DISTRICT

Notes to Basic Financial Statements

Year Ended June 30, 2015

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, 2015, the contributions to the Miscellaneous Plan of \$113.4 million were recognized as part of pension expense.

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

At June 30, 2015, the District reported a net pension liability of \$1.1 billion for its proportionate share of the net pension liability of the Miscellaneous Plan. The net pension liability of the Miscellaneous Plan was measured as of June 30, 2014, 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, 2013 rolled forward to June 30, 2014 using standard update procedures. The District's proportion of the net pension liability was based on the 2013-14 fiscal year employer contributions calculated by CalPERS. At June 30, 2014, the District's proportion was 9.3936%.

For the year ended June 30, 2015, the District recognized pension expense of \$94.8 million. At June 30, 2015, 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
Net difference between projected and actual earnings on pension plan investments	\$ —	\$ 366,428
District contributions subsequent to the measurement date	113,398	—
Total	<u>\$ 113,398</u>	<u>\$ 366,428</u>

\$113.4 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, 2016. Other amounts reported as deferred inflows of resources related to pensions will be recognized as pension expense as follows (in thousands):

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Notes to Basic Financial Statements

Year Ended June 30, 2015

<u>Year ended June 30</u>	<u>Miscellaneous</u>
2016	\$ 91,607
2017	91,607
2018	91,607
2019	91,607

Actuarial Methods and Assumptions

The total pension liability in the June 30, 2013 actuarial valuation was determined using the following actuarial assumptions:

	<u>Miscellaneous</u>
Valuation date	June 30, 2013
Measurement date	June 30, 2014
Actuarial cost method	Entry-Age Normal
Actuarial assumptions	
Discount rate	7.5%
Inflation	2.75%
Salary increases	Varies by entry age and service
Investment rate of return	7.5% ⁽¹⁾
Mortality rate table ⁽²⁾	Derived using CalPERS' membership data for all funds
Post retirement benefit Increase	Contract COLA up to 2.00% until purchasing power protection allowance floor on purchasing power applies, 2.75% thereafter

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

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

All other actuarial assumptions used in the June 30, 2013 valuation were based on the results of an actuarial experience study for the period from 1997 to 2011, including updates to salary increase, mortality and retirement dates. The Experience Study report can be obtained at CalPERS website under Forms and Publications.

Discount Rate

The discount rate used to measure the total pension liability of the Miscellaneous Plan was 7.5%. A projection of the expected benefit payments and contributions was performed to determine if assets would run out. The test revealed the assets would not run out. Therefore the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability for the Schools Pool. The results of the crossover testing for the Schools Pool are presented in a detailed report that can be obtained at CalPERS' website.

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Notes to Basic Financial Statements

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According to Paragraph 30 of Statement 68, the long-term discount rate should be determined without reduction for pension plan administrative expense. The 7.5% investment return assumption used in this accounting valuation is net of administrative expenses. Administrative expenses are assumed to be 15 basis points. An investment return excluding administrative expenses would have been 7.65%. Using this lower discount rate has resulted in a slightly higher total pension liability and net pension liability.

CalPERS is scheduled to review all actuarial assumptions as part of its regular asset liability management review cycle that is scheduled to be completed in February 2018. Any changes to the discount rate will require Board action and proper stakeholder outreach. For these reasons, CalPERS expects to continue using a discount rate net of administrative expenses for GASB 67 and 68 calculations through at least the 2017-18 fiscal year. CalPERS will continue to check the materiality of the difference in calculation until such time as we have changed our methodology.

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

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

The table below reflects long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. These geometric rates of return are net of administrative expenses.

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Year Ended June 30, 2015

Asset Class	Miscellaneous		
	New Strategic Allocation	Real Return Years 1 - 10 ^(a)	Real Return Years 11+2 ^(b)
Global Equity	47.00%	5.25%	5.71%
Global Fixed Income	19.00	0.99	2.43
Inflation Sensitive	6.00	0.45	3.36
Private Equity	12.00	6.83	6.95
Real Estate	11.00	4.50	5.13
Infrastructure and Forestland	3.00	4.50	5.09
Liquidity	2.00	(0.55)	(1.05)
Total	100.00%		

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

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

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

The following presents the District's proportionate share of the net pension liability for the Miscellaneous plan as of the measurement date, calculated using the discount rate of 7.5%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5%) or 1-percentage-point higher (8.5%) than the current rate (in thousands):

	1.0% Decrease (6.5%)	Current Discount Rate (7.5%)	1.0% Increase (8.5%)
District's proportionate share of the net pension liability	\$ 1,870,713	\$ 1,066,402	\$ 394,320

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, 2015 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, 2015.

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Notes to Basic Financial Statements

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(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, 2015, are summarized as follows:

Hiring Date	On or before December 31, 2012	On or after January 1, 2013
Benefit formula	2.0% @ 60	2.0% @ 62
Benefit vesting schedule	5 years service	5 years service
Benefit payments	monthly for life	monthly for life
Retirement age: Minimum	50-55 (30 years of service credit)	55 (5 years of service credit)
Monthly benefit, as a % of eligible compensation	1.1% - 1.4%	1.16%
Required employee contribution rates	8.2%	50% of the normal cost of their retirement plan
Required employer contribution rates	8.88%	8.88%

Contributions

The District is required to contribute based on an actuarially determined rate using the entry age normal actuarial cost method. The actuarial methods and assumptions used for determining the rate are those adopted by the CalSTRS Teachers' Retirement Board. Required member, employer and state contribution rates are set the by the California Legislature and Governor and detailed in Teachers' Retirement Law. Both the member and employer contributions are set as a percentage of employees' earnings.

Assembly Bill (AB 1469) enacted in Chapter 47, Statutes of 2014 is projected to fully fund the CalSTRS Defined Benefit (DB) Program in 32 years through shared contribution among CalSTRS members, employers and State of California. Contribution increases will be phased in over several years with the first increases taking effect on July 1, 2014. Member contribution increases will be phased in over the next three years and increase by an additional 2.25% of payroll for CalSTRS 2% at 60 members and an additional 1.205% for CalSTRS 2% at 62 members. Employer contributions

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Year Ended June 30, 2015

will increase from 8.25% to a total of 19.1%, phased in over the next seven years. State contributions will increase over the next three years to a total of 6.328%. AB1469 grants the Teachers Retirement Board limited rate setting authority to adjust up or down state and employer contribution rates.

For the year ended June 30, 2015, the contributions to the CalSTRS' TRF of \$245.5 million were recognized as part of pension expense.

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

At June 30, 2015, the District reported a net pension liability of \$3.4 billion for its proportionate share of the CalSTRS net pension liability. The net pension liability was measured as of June 30, 2014, 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 2013-14 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, 2014, the District's proportion was 5.738%.

For the year ended June 30, 2015, the District recognized pension expense of \$210.0 million. At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources (in thousands):

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on pension plan investments	\$ —	\$ 825,698
District contributions subsequent to the measurement date	245,474	—
Total	<u>\$ 245,474</u>	<u>\$ 825,698</u>

\$245.4 million reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2016. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year ended June 30</u>	
2016	\$ 206,424.5
2017	206,424.5
2018	206,424.5
2019	206,424.5

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Year Ended June 30, 2015

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, 2013, and rolling forward the total pension liability to June 30, 2014. The financial reporting actuarial valuation as of June 30, 2013, used the following actuarial methods and assumptions, applied to all prior periods included in the measurement:

Valuation Date	June 30, 2013
Experience Study	July 1, 2006 through June 30, 2010
Actuarial Cost Method	Entry age normal
Investment Rate of Return *	7.60%
Consumer Price Inflation	3.00%
Wage Growth	3.75%
Post-retirement Benefit Increases	2.00% simple for Defined Benefit Not applicable for Defined Benefit Supplement

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

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

Discount Rate

The discount rate used to measure the total pension liability was 7.6%. 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 in accordance with the rate increase per Assembly Bill 1469. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (7.6%) and assuming that contributions, benefit payments, and administrative expense occur midyear. Based on those assumptions, the CalSTRS' TRF fiduciary net pension was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term assumed investment rate of return was applied to all period of projected benefit payments to determine the total pension liability.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. The best estimate ranges were developed using capital market assumptions from CalSTRS general investment consultant (Pension Consulting Alliance - PCA) as an input to the process. Based on the model from CalSTRS consulting actuary's (Milliman) investment practice, a best estimate range was determined by assuming the portfolio is re-balanced annually and that annual returns are lognormally distributed and independent from year to year to develop expected percentiles for the long-term distribution of annualized returns. The assumed asset allocation by PCA is based on board policy for target asset allocation in effect on February 2, 2012, the date the current experience study was approved by the board. Best estimates of 10-year geometric real rates of return and the assumed asset

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Notes to Basic Financial Statements

Year Ended June 30, 2015

allocation for each major asset class used as input to develop the actuarial investment rate of return are summarized in the following table:

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

* 10-year geometric average

Differences between expected and actual experience and changes in assumptions are amortized over a closed period equal to the average remaining service life of plan members, which is 7 years as of June 30, 2014. The plan's net pension liability as of June 30, 2013 and June 30, 2014 are based on the June 30, 2013 actuarial valuation for the first year of implementation. As a result there are no differences between expected and actual experience and changes in assumptions subject to amortization. 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. Deferred inflows are the unamortized portion of the actual net increases in the plan's net position that exceeded the increase projected based on the 7.6% assumed investment rate of return.

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

The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.6%, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.6%) or 1-percentage-point higher (8.6%) than the current rate (in thousands):

	1.0% Decrease (6.6%)	Current Discount Rate (7.6%)	1.0% Increase (8.6%)
District's proportionate share of the net pension liability	\$ 5,226,629	\$ 3,353,115	\$ 1,790,945

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.

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Payable to the Pension Plan

The District's contribution for all members to the CalSTRS' TRF for the fiscal year ended June 30, 2015 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, 2015.

(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, 2015, there are 29,385 District employees covered under PARS.

Benefit terms and other requirements are established by District management based on agreements with various bargaining units. PARS is a defined contribution qualified retirement plan under Section 401 (a) of the Internal Revenue Code.

The minimum total contribution is 7.5% of employees' salaries, of which the District and the employees contribute 3.75% each. For the year ended June 30, 2015, the District recognized pension expense of \$5.4 million. The District does not have any forfeited amounts.

The District's contributions for all members for the fiscal years ended June 30, 2015, 2014 and 2013 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.

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Year Ended June 30, 2015

Termination Benefits

To lessen the impact of anticipated reductions in work force, the District offered early retirement incentive programs in fiscal years 2008-09 and 2009-10 to certificated and classified employees. The retirement incentive was equal to 40% of basic salary in effect on February 24, 2009 for certificated employees, May 1, 2009 for school-based classified employees, and September 8, 2009 for central office classified employees. The basic benefit is paid in the form of an annuity with lifetime monthly payment options or fixed term monthly payments ranging from 5 to 15 years. It was purchased from Pacific Life Insurance Company and is administered by the Public Agency Retirement System (PARS). The benefits are to be funded in five (5) annual District contributions starting in 2009-10. As of June 30, 2014, the benefits were fully funded.

Postemployment Benefits – Health and Welfare for Retirees

Plan Description

The District administers a single-employer defined benefit healthcare plan. The plan provides other postemployment (health care) benefits in accordance with collective bargaining unit agreements and Board rules. Certificated and classified employees who retire from the District receiving a CalSTRS/CalPERS retirement allowance (for either age or disability) may be eligible to continue coverage under the District-sponsored hospital/medical, dental, and vision plans which cover both active and retired members and their eligible dependents. The following are the eligibility requirements:

- a. Those hired prior to March 11, 1984 must have served a minimum of five consecutive qualifying years immediately prior to retirement.
- b. Those hired from March 11, 1984 through June 30, 1987 must have served a minimum of ten consecutive qualifying years immediately prior to retirement.
- c. Those hired from July 1, 1987 through May 31, 1992 must have served a minimum of 15 consecutive qualifying years immediately prior to retirement, or served ten consecutive qualifying years immediately prior to retirement plus an additional previous ten years which are not consecutive.
- d. Those hired from June 1, 1992 through February 28, 2007 must have at least 80 years combined total of qualifying service and age. For those employees that have a break in service, this must include 10 consecutive years immediately prior to retirement.
- e. Those hired from March 1, 2007 through March 31, 2009 must have at least 80 years combined total of qualifying service and age. In addition, the employee must have 15 consecutive years of qualifying service immediately prior to retirement.
- f. Those hired on or after April 1, 2009, except School Police, must have at least 85 years combined total of qualifying service and age. In addition, the employee must have a minimum of 25 consecutive years of qualifying service immediately prior to retirement.

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- g. School Police (sworn personnel) hired on or after April 1, 2009 must have at least 80 years combined total of qualifying service and age. In addition, the employee must have a minimum of 20 consecutive years of qualifying service immediately prior to retirement.

Qualifying years of service consist of school years in which an employee was in “paid status” for at least 100 full-time days and eligible for District-sponsored health care benefits.

In order to maintain coverage, the retirees must continue to receive a CalSTRS/CalPERS retirement allowance and retirees/spouses or domestic partners must enroll in those parts of Medicare for which they are eligible. Lack of Medicare does not impact dental or vision coverage. As of July 1, 2015, approximately 38,000 retirees now meet these eligibility requirements. The plan does not issue a separate financial report.

Funding Policy

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

Moreover, the District established in fiscal year 2013-14 an irrevocable other postemployment benefits (OPEB) trust with CalPERS – California Employers’ Retiree Benefit Trust (CERBT) to address its fiscal obligation in relation to its OPEB liability. Contributions to the OPEB trust will be calculated annually and are governed by the District’s Budget and Finance Policy wherein such contributions will be subject to maintaining an Unrestricted General Fund balance of 5% of the unrestricted revenue.

For fiscal year 2014-15, the District contributed a total of \$310.7 million to the plan including \$30 million contributed to the OPEB trust. The total contribution covers a portion of the normal cost of active employees and the amortization of past service costs for both actives and retirees based on an actuarially calculated valuation.

Healthcare Reform Act

The Patient Protection and Affordable Care Act and the Health Care and Education Reconciliation Act of 2010, collectively referred to as the Health Care Reform Act of 2010 (“The Act”), were signed into law in March 2010. The Act imposes a 40% excise tax on employers that carry “Cadillac healthcare plans” beginning in 2018. The tax is applied to the amount of premium in excess of stated single (\$10,200) and family (\$27,500) thresholds. The District’s actuary considered the potential additional costs due to the reduced funding on Medicare Advantage Plans by the federal government and excise taxes on high cost plans and these are included in the actuary’s valuation of liabilities.

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Year Ended June 30, 2015

Annual OPEB Cost and Net OPEB Obligation

The District's annual OPEB cost (expense) is calculated based on the *annual required contribution of the employer (ARC)*, an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

The following table shows the components of the District's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the District's net OPEB obligation to the plan (in thousands).

Annual required contribution	\$ 905,130
Interest on net OPEB obligation	269,737
Adjustment to annual required contribution	(245,003)
Annual OPEB cost (expense)	929,864
Contributions made	(310,681)
Increase in net OPEB obligation	619,183
Net OPEB obligation – beginning of year	5,351,835
Net OPEB obligation – end of year	<u>\$ 5,971,018</u>

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal years 2015, 2014, and 2013 were as follows (in thousands):

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
6/30/2015	\$ 929,864	33 %	\$ 5,971,018
6/30/2014	890,880	37	5,351,835
6/30/2013	1,038,193	24	4,787,843

Funded Status and Funding Progress

As of July 1, 2013, the most recent actuarial valuation date, the actuarial accrued liability for benefits was \$10.9 billion, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$10.9 billion. These valuations include the effects of establishing an irrevocable trust and considered a partial pre-funding plan. The covered payroll (annual payroll of active employees covered by the plan) was \$4.6 billion, and the ratio of the UAAL to the covered payroll was 237%.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about the future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about

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the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents information for the most recent actuarial valuation and in future years, multi-year trend information about whether the actuarial value of plan assets, if any, is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs, as applicable, between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, if any, consistent with the long-term perspective of the calculations.

In the July 1, 2013 actuarial valuation, the actuarial method used in estimating the liability is the Level Percentage of Pay Entry Age Normal (EAN) cost method, which spreads plan costs for each participant from entry date to the expected retirement date. Under this EAN cost method, the plan's normal cost is developed as a level percentage of pay spread over the participants' working lifetime. The significant assumptions used in the computation include a 5.07% discount rate, inflation of 2.75% per annum, and healthcare cost trend rates in 2013 of 8.5% or 8.75% for non-Medicare advantage plans and 1.09% or -7.94% for Medicare advantage plans. The rate varies depending on the participants' choice of healthcare provider (i.e. Anthem Blue Cross, Kaiser, Health Net or UHC). Ultimately, the assumed rates decline to 5% across the board in 2023. A healthcare cost trend rate of 5% is assumed for dental and vision. The UAAL is being amortized as a level percentage of pay amortization amounts (assuming 3% annual increase) over a 30-year open amortization period.

(10) Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors or omissions; job-related illness or injury to employees; and natural disasters. The District has established several self-insurance funds (Internal Service Funds) as follows: the Workers' Compensation Self-Insurance Fund, the Liability Self-Insurance Fund, and the Health and Welfare Benefits Fund. These funds account for the uninsured risk of loss and pay for insurance premiums, management fees, and related expenses. The District is self-insured for its Workers' Compensation Insurance Program and partially self-insured for the Health and Welfare and Liability Insurance Programs. Premium payments to Health Maintenance Organizations for medical benefits and to outside carriers for vision services, dental services, and optional life insurance are paid out of the Health and Welfare Benefits Fund.

Excess insurance has been purchased for physical property loss damages, which currently provides \$1 billion coverage above a \$500,000 self-insurance retention and for general liability, which currently provides \$35 million coverage above a \$5 million self-insurance retention. No settlements exceeded insurance coverage in the last five fiscal years ended June 30, 2015.

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

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program, workers' compensation coverage with statutory limits and primary general liability and excess liability coverage with limits of \$100 million have been underwritten by seven major insurance carriers.

The District has also purchased contractors' pollution liability insurance coverage for the construction program. The policy protects contractors and the District from losses resulting from pollution liability related incidents occurring during construction. The policy provides optional coverage to ensure that site cleanup cost overruns are not borne by the District. The limits of coverage on the cleanup cost-cap policy are variable by specific project. The total limit available on the other policies is \$50 million.

Liabilities for loss and loss adjustment expenses under school operations workers' compensation and general liability are based on the estimated present value of the ultimate cost of settling the claims including the accumulation of estimates for losses reported prior to the balance sheet date, estimates of losses incurred but not reported, and estimates of expenses for investigating and adjusting reported and unreported losses. Such liabilities are estimates of the future expected settlements and are based upon analysis of historical patterns of the number of incurred claims and their values. Individual reserves are continuously monitored and reviewed and as settlements are made, or reserves adjusted, differences are reflected in current operations.

As of June 30, 2015, the amount of the total claims liabilities recorded for health and welfare, liability self-insurance, and workers' compensation was \$720.7 million. The increase in the workers' compensation liability is primarily due to an increase in actuarial reserves for medical expenses coupled with an increase in the state mandated benefit rate. The Liability Self-Insurance Fund obligation also increased due to higher reserves for a number of specific cases. The increase in the Health and Welfare Benefits Fund is mainly due to the higher cost of new specialty medications and medical claims costs. Changes in the reported liabilities since July 1, 2013 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
2014-2015				
Health and welfare benefits	\$ 20,634	\$ 250,057	\$ (247,385)	\$ 23,306
Workers' compensation	421,545	162,576	(100,030)	484,091
Liability self-insurance	197,999	47,802	(32,488)	213,313
Total	<u>\$ 640,178</u>	<u>\$ 460,435</u>	<u>\$ (379,903)</u>	<u>\$ 720,710</u>
2013-2014				
Health and welfare benefits	\$ 22,363	\$ 237,406	\$ (239,135)	\$ 20,634
Workers' compensation	420,831	98,642	(97,928)	421,545
Liability self-insurance	201,753	47,233	(50,987)	197,999
Total	<u>\$ 644,947</u>	<u>\$ 383,281</u>	<u>\$ (388,050)</u>	<u>\$ 640,178</u>

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(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, school sites, relocatable classroom buildings, furniture and equipment; 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, 2015 are as follows (in thousands):

COP Issue	Sale Date	Original Principal	Outstanding 06/30/2015	Interest Rates to Maturity		Final Maturity
		Amount		Min	Max	
2005 QZAB	12/13/2005	\$ 10,000	\$ 10,000	N/A	N/A	2020
2007A	11/15/2007	99,660	23,492	5.000%	5.000%	2017
2010A	1/27/2010	69,685	33,180	3.250%	5.000%	2017
2010B-1	12/21/2010	21,615	21,615	7.663%	8.525%	2035
2010B-2	12/21/2010	61,730	39,885	4.000%	5.750%	2020
2012A	6/12/2012	87,845	74,540	3.750%	5.000%	2031
2012B	6/12/2012	72,345	71,240	2.125%	5.000%	2031
2013A	6/24/2013	24,780	21,990	2.290%	2.290%	2028
			<u>\$ 295,942</u>			*

* The total amount shown above excludes net unamortized premium of \$12.0 million

In prior years, the District defeased certain principal amounts of its COPs and refunding COPs by placing proceeds of refunding COPs and general obligation bonds into irrevocable escrow funds to provide for all future debt service payments on the refunded and defeased COPs and refunding COPs. Accordingly, the escrow account assets and the liability for the defeased COPs are not included in the District's financial statements. On August 19, 2014, proceeds from GOB issuance of Election of 2005 Measure Y, Series K (2014) for \$35.5 million were used to pay a portion of COPs 2007 Series A (Information Technology Projects) and to prepay COPs 2009 Series A (Food Services Projects) in its entirety, using a combination of GOB Measure Y, Series K and unspent project funds. As of June 30, 2015, \$11.2 million of the defeased COPs are still outstanding.

In prior years, the District defeased certain sinking fund payments for its 2005 Certificates of Participation (Qualified Zone Academy Bonds) by placing proceeds of general obligation bonds, interest earnings on all said deposits and interest earnings on forward delivery agreements into the sinking fund account held by the trustee to provide for the payment of the 2005 Certificates of Participation (Qualified Zone Academy Bonds) at maturity. While the District's financial statements indicate that the full principal amount of the 2005 Certificates of Participation (Qualified Zone Academy Bonds) are outstanding as of June 30, 2015, a total of \$5.9 million of accumulated sinking fund payments have been made, which reflects the portion of the COPs that are considered economically defeased.

Other Leasing Arrangements

The District has entered into various lease agreements ranging from three to five years to finance the acquisition of office and transportation equipment. These lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of their future minimum lease

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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 and office equipment (primarily copiers). The leased facilities have varying terms ranging from three years to 80 years. Some leases are month to month. The leases expire over the next 68 years subject to renewal option provisions.

The office equipment lease (primarily copiers) is also under various lease terms that range from less than a year to 5 years. The leases expire this year.

The total expenditure for all operating leases amounted to \$8.4 million in fiscal year 2014-15. The future minimum commitments for noncancelable operating lease of the District as of June 30, 2015 are as follows (in thousands):

<u>Fiscal year ending</u>	<u>Amount</u>
2016	\$ 6,553
2017	5,180
2018	5,263
2019	3,901
2020	3,916
2021-2025	11,773
2026-2030	12,687
2031-2035	14,682
2036-2040	15,733
2041-2045	10,513
2046-2050	11,150
2051-2055	12,311
2056-2060	13,592
2061-2065	15,007
2066-2070	16,569
2071-2075	18,293
2076-2080	20,197
2081-2085	10,258
	<u>\$ 207,578</u>

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(12) Long-Term Obligations

The following is a summary of changes in long-term obligations for the year ended June 30, 2015 (in thousands):

	Balance, July 1, 2014 (As Restated)	Additions	Deductions	Balance, June 30, 2015	Due Within One Year	Interest Expense
General Obligation Bonds*	\$ 11,011,840	\$ 517,576	\$ 821,531	\$ 10,707,885	\$ 472,687	\$ 469,782
Certificates of Participation (Note 11)*	383,237	(222)	75,094	307,921	32,166	12,468
Capital Lease Obligations	2,162	637	868	1,931	694	46
Children Center Facilities Revolving Loan	555	—	79	476	79	—
Liability for Compensated Absences	61,660	68,846	65,189	65,317	1,403	—
Liability for Other Employee Benefits	68,008	91	7,018	61,081	1,499	—
Self-Insurance Claims (Note 10)	640,178	460,435	379,903	720,710	297,279	—
Net Pension Liability	5,382,206	312,488	1,209,082	4,485,612	—	—
Other Postemployment Benefits	5,351,835	929,864	310,681	5,971,018	—	—
Total	<u>\$ 22,901,681</u>	<u>\$ 2,289,715</u>	<u>\$ 2,869,445</u>	<u>\$ 22,321,951</u>	<u>\$ 805,807</u>	<u>\$ 482,296</u>

* The amounts shown above include unamortized premiums and discounts.

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

Year Ending June 30	General Obligation Bonds		Capital Lease Obligations/ Certificates of Participation		Other Loans	Total	
	Principal	Interest	Principal	Interest		Principal	Interest
2016	\$ 404,240	\$ 507,477	\$ 30,505	\$ 13,558	\$ 79	\$ 434,824	\$ 521,035
2017	380,775	497,365	31,144	12,131	79	411,998	509,496
2018	387,020	479,437	39,806	10,425	79	426,905	489,862
2019	397,050	460,535	15,674	9,091	79	412,803	469,626
2020	386,010	441,381	16,313	8,302	79	402,402	449,683
2021-2025	2,263,075	1,897,825	70,355	31,645	81	2,333,511	1,929,470
2026-2030	3,146,425	1,233,397	61,090	17,587	—	3,207,515	1,250,984
2031-2035	2,932,070	469,682	30,960	3,782	—	2,963,030	473,464
2036-2040	—	—	2,025	83	—	2,025	83
	<u>\$ 10,296,665</u>	<u>\$ 5,987,099</u>	<u>\$ 297,872</u>	<u>\$ 106,604</u>	<u>\$ 476</u>	<u>\$ 10,595,013</u>	<u>\$ 6,093,703</u>

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The General Obligation (GO) Bonds outstanding balance as of June 30, 2015 consists of the following (in thousands):

Bond Issue	Sale Date	Original Principal Amount	Outstanding June 30, 2015	Interest Rates to Maturity		Final Maturity
				Min	Max	
1997 Series A	7/22/1997	\$ 356,000	\$ 17,500	6.00%	6.00%	2015
2002 Refunding	4/17/2002	258,375	98,160	5.25	5.75	2017
2005A-1 Refunding	7/20/2005	346,750	73,270	3.50	5.50	2018
2005A-2 Refunding	7/20/2005	120,925	14,790	5.50	5.50	2018
Election of 2004, E (2005)	8/10/2005	400,000	12,010	4.00	5.00	2015
Election of 2004, F (2006)	2/16/2006	500,000	73,960	3.75	5.00	2027
Election of 2005, A (2006)	2/22/2006	56,785	7,225	3.80	4.10	2022
Election of 2005, B (2006)	2/22/2006	80,200	16,160	3.80	4.40	2028
Election of 2005, C (2006)	2/22/2006	210,000	100,905	5.00	5.00	2030
Election of 2004, G (2006)	8/17/2006	400,000	48,630	4.00	5.00	2031
2006B Refunding	11/15/2006	574,905	554,295	4.00	5.00	2027
2007A-1 Refunding	1/31/2007	1,153,195	1,122,690	4.00	5.00	2028
2007A-2 Refunding	1/31/2007	136,055	136,055	4.25	4.50	2028
Election of 2002, B (2007)	2/22/2007	500,000	258,570	4.00	5.00	2031
2007B Refunding	2/22/2007	24,845	24,650	5.00	5.00	2019
Election of 2002, C (2007)	8/16/2007	150,000	66,995	4.00	5.00	2032
Election of 2004, H (2007)	8/16/2007	550,000	244,780	5.00	5.00	2032
Election of 2005, E (2007)	8/16/2007	300,000	134,760	4.75	5.00	2032
Election of 2002, D (2009)	2/19/2009	250,000	215,210	3.13	5.30	2034
Election of 2004, I (2009)	2/19/2009	550,000	455,575	5.00	5.25	2034
Election of 2005, F (2009)	2/19/2009	150,000	129,520	3.60	5.25	2034
KRY (2009-BAB)	10/15/2009	1,369,800	1,369,800	5.75	5.76	2034
KRY (2009-TE)	10/15/2009	205,785	94,875	4.00	5.00	2020
2009A Refunding	10/15/2009	74,765	28,700	3.00	5.00	2019
Election of 2005, H (2009)	10/15/2009	318,800	318,800	1.54	1.54	2025
KRY (2010-TE)	3/4/2010	478,575	432,865	4.00	5.25	2034
RY (2010-BAB)	3/4/2010	1,250,585	1,250,585	6.76	6.76	2034
2010A Refunding	3/4/2010	74,995	52,290	4.00	5.00	2015
KY (2010)	5/6/2010	159,495	81,360	2.35	5.00	2018
Election of 2005, J-1 (2010)	5/6/2010	190,195	190,195	5.98	5.98	2027
Election of 2005, J-2 (2010)	5/6/2010	100,000	100,000	5.72	5.72	2027
2011A-1 Refunding	11/1/2011	206,735	185,535	3.00	5.00	2024
2011A-2 Refunding	11/1/2011	201,070	160,530	4.00	5.00	2023
2012A Refunding	5/8/2012	156,000	141,345	2.00	5.00	2028
2014A Refunding	6/26/2014	196,850	196,850	1.00	5.00	2022
2014B Refunding	6/26/2014	323,170	323,170	5.00	5.00	2026
2014C Refunding	6/26/2014	948,795	948,795	1.00	5.00	2031
2014D Refunding	6/26/2014	153,385	153,385	5.00	5.00	2030
Election of 2004, J (2014)	8/19/2014	68,170	68,170	1.00	5.00	2017
Election of 2005, K (2014)	8/19/2014	35,465	35,465	0.50	5.00	2020
Election of 2004, K (2014)	8/19/2014	7,045	7,045	0.27	1.10	2017
Election of 2005, L (2014)	8/19/2014	25,150	25,150	0.27	1.10	2017
2015A Refunding	5/28/2015	326,045	326,045	2.00	5.00	2025
			<u>\$ 10,296,665</u>	*		

* The total amount shown above excludes net unamortized premium of \$411.2 million.

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On August 19, 2014, the District issued the 2014 GO Bonds for \$135.83 million consisting of four series:

1. Election of 2004 Measure R, Series J (2014) for \$68.17 million;
2. Election of 2004 Measure R, Series K (2014) (Federally Taxable) for \$7.045 million;
3. Election of 2005 Measure Y, Series K (2014) for \$35.465 million, proceeds of which were used to pay a portion of the lease payments with respect to the District's Certificates of Participation (COPs), 2007 Series A (Information Technology Projects) and to prepay the COPs, 2009 Series A (Food Services Projects) in its entirety, using a combination of GO Bonds, Measure Y, Series K and unspent project funds.
4. Election of 2005 Measure Y, Series L (2014) (Federally Taxable) for \$25.15 million.

On May 28, 2015, the District issued the 2015 GO Refunding Bonds, Series A for \$326.045 million for the purpose of current refunding the outstanding 2005 Proposition BB GO Refunding Bonds, (i) Series A-1 for \$271.985 million and (ii) Series A-2 for \$106.135 million. This 2015 refunding resulted in a reduction of the debt service payments of \$80.967 million over 11 years or a net present value savings of \$72.174 million.

In prior years, the District defeased certain principal amounts of its GO bonds by placing proceeds of refunding bonds in an irrevocable escrow fund to provide for all future debt service payments on the refunded and defeased bonds. Accordingly, the escrow account assets and the liability for the defeased GO Bonds are not included in the District's financial statements. As of June 30, 2015, \$1.927 billion of the defeased GO Bonds are still outstanding.

The Children Center Facilities revolving loan represents loan proceeds from the State Child Development Revolving Fund for the purchase of relocatable buildings, sites and site improvements for child care facilities. The loan, which does not incur interest charges, must be repaid in ten equal installments to commence on July 1, 2012 and each year thereafter until July 1, 2021.

The arbitrage payable balance reflects amounts due to the United States Treasury in order to comply with Internal Revenue Code Section 148(f). When the District issues tax-exempt debt, Internal Revenue Service (IRS) regulations limit the yield that the District can earn on the bond proceeds. If the District earns an amount in excess of the bond yield and does not qualify for a spending exception, the District must remit the excess earnings to the United States Treasury. Payments equal to 90% of the calculated excess earnings are due on each fifth anniversary of a bond's issuance date. When a bond issue is retired, all of the remaining excess earnings must be remitted. As of June 30, 2015, there was no arbitrage payable due to the IRS.

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Debt Liquidation

Payments on the General Obligation Bonds and Certificates of Participation are made by the debt service funds. The employee benefits liability for retirement bonus and early retirement incentive are all paid out of the General Fund, while the compensated absences portion will be liquidated from different governmental funds and proprietary funds. In fiscal year 2015, approximately 91% has been paid by the General Fund, 8% by the District Bonds Fund, and 1% by the proprietary funds.

The self-insurance claims and other postemployment benefits will generally be liquidated through the internal service funds which will finance the payment of those claims and benefits by charging user funds. The General Fund assumes 100% of liability self-insurance claims. For workers' compensation and health benefit claims, including retiree health benefits, the General Fund currently bears approximately 86% of the cost, while the Cafeteria Fund carries 6%; no other individual fund is charged more than 3% of the total amount.

(13) Interfund Transactions

(a) Interfund Receivables/Payables (Due to/from Other Funds)

Interfund receivables/payables are eliminated on the government-wide statement of net position but are reported on the fund financial statements. These consist of borrowings between funds to cover temporary cash insufficiencies and permit payment of obligations. Interfund receivables and payables at June 30, 2015 are as follows (in thousands):

<u>Fund Group</u>	<u>Fund</u>	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
General	Unrestricted	\$ 23,600	\$ —
	Total General	23,600	—
Special Revenue	Child development	—	23,600
	Total Special Revenue	—	23,600
	Total Interfund Receivables/Payables	<u>\$ 23,600</u>	<u>\$ 23,600</u>

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Notes to Basic Financial Statements

Year Ended June 30, 2015

(b) *Interfund Transfers*

Interfund transfers are eliminated on the government-wide statement of activities but are reported on the fund financial statements. These consist of transfers for exchange of services or reimbursement of expenditures. In addition, interfund transactions are also made to move revenue collected in one fund to another fund where the resources are spent or accounted for, in accordance with budgetary authorization through which resources are to be expended. Transfers between funds for the year ended June 30, 2015 were as follows (in thousands):

From	To	Purpose	Amount
General	Cafeteria	Cafeteria Support	\$ 50,000
General	Capital Services	Debt service	40,480
General	Child Development	Child development support	24,997
General	Health & Welfare	Medicare Part D subsidy	10,141
General	Building – Measure Y	Reimbursement of capital expenditures	274
General	Building – Measure R	Reimbursement of capital expenditures	1,641
General	Special Reserve	Reimbursement of capital expenditures	22
Adult Education	Building – Measure Y	Reimbursement of capital expenditures	4
Building – Measure K	County School Facilities	Reimbursement of capital expenditures	20
Building – Measure K	Building – Measure R	Reimbursement of capital expenditures	16,425
Building – Measure K	Building – Measure Y	Reimbursement of capital expenditures	8,734
Building – Measure K	Special Reserve	Reimbursement of capital expenditures	1,419
Bui Lease–Purchase	General Fund	Reimbursement of capital expenditures	136
Building – Measure R	Building – Measure K	Reimbursement of capital expenditures	1,696
Building – Measure R	Building – Measure Y	Reimbursement of capital expenditures	9,161
Building – Measure R	County School Facilities	Reimbursement of capital expenditures	678
Building – Measure R	Special Reserve	Reimbursement of capital expenditures	5,325
Building – Measure Y	Cafeteria	Reimbursement of capital expenditures	1,299
Building – Measure Y	County School Facilities	Reimbursement of capital expenditures	587
Building – Measure Y	General	Reimbursement of capital expenditures	860
Building – Measure Y	Special Reserve	Debt service	33,218
Building – Measure Y	Adult Education	Reimbursement of capital expenditures	3,333
Building – Measure Y	Building – Measure R	Reimbursement of capital expenditures	2,375
Building – Measure Y	Building – Measure K	Reimbursement of capital expenditures	6
Building – Measure Y	Special Revenue	Reimbursement of capital expenditures	6,153
Building Fund–Bond Proceeds	Building – Measure R	Reimbursement of capital expenditures	10
Building Fund–Bond Proceeds	Building – Measure Y	Reimbursement of capital expenditures	3,399
Building Fund–Bond Proceeds	County School Facilities	Reimbursement of capital expenditures	672
Capital Facilities	Capital Services	Debt service	9,574
Capital Facilities	Building – Measure R	Reimbursement of capital expenditures	768
Capital Facilities	Building – Measure K	Reimbursement of capital expenditures	1
Capital Facilities	Building – Measure Y	Reimbursement of capital expenditures	10,975
County School Facilities	Building – Measure R	Reimbursement of capital expenditures	31,644
County School Facilities	Building Fund–Bond Proceeds	Reimbursement of capital expenditures	2,017
County School Facilities	Building Fund	Reimbursement of capital expenditures	440
County School Facilities	Building – Measure K	Reimbursement of capital expenditures	7,273
County School Facilities	Building – Measure Y	Reimbursement of capital expenditures	20,232
SSBldg Lease–Purchase	Building – Measure K	Reimbursement of capital expenditures	97
Special Reserve–CRA	General	Reimbursement of capital expenditures	90
Special Reserve	General	Reimbursement for Routine Repair and General Maintenance	2,049
Special Reserve	Building – Measure R	Reimbursement of capital expenditures	5,051
Special Reserve	Building – Measure K	Reimbursement of capital expenditures	70
Special Reserve	Building – Measure Y	Reimbursement of capital expenditures	1,472
Sub–total			<u>314,818</u>
Adult Education	General	Transfer of support costs	3,367
Child Development	General	Transfer of support costs	6,663
Cafeteria	General	Transfer of support costs	18,211
Total			<u>\$ 343,059</u>

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(14) Fund Equity

The following is a summary of nonspendable, restricted, assigned, and unassigned fund balances at June 30, 2015 (in thousands):

	General Fund	District Bonds	County School Facilities Bonds	Bond Interest and Redemption	Other Governmental Funds
Nonspendable:					
Revolving cash and imprest funds	\$ 2,637	\$ 3,430	\$ —	\$ —	\$ 32
Inventories	18,016	—	—	—	5,654
Total Nonspendable Balances	20,653	3,430	—	—	5,686
Restricted for:					
Child Nutrition: School Programs	—	—	—	—	22,521
Medi – Cal Billing Options	5,886	—	—	—	—
FEMA Public Assistance Funds	158	—	—	—	5,530
California Clean Energy Jobs Act	52,112	—	—	—	—
Cops More Program	35	—	—	—	—
School Mental Health Medi – Cal Rehabilitation	4,863	—	—	—	—
Medi – Cal Electronic Health Record Incentive	422	—	—	—	—
English Language Acquisition Program,					
Teacher Training & Student Assistance	3,697	—	—	—	—
Special Education	3,503	—	—	—	—
Economic Impact Aid: Limited English					
Proficiency (LEP)	3,949	—	—	—	—
Quality Education Investment Act (QEIA)	41,560	—	—	—	—
State School Facilities Projects	—	—	471,136	—	5,918
California Energy Commission Loan Expenditures	397	—	—	—	—
Employment Training Panel-Regional Occupational					
Centers and Programs	54	—	—	—	—
CDE Grant Olive Vista Middle School	—	—	—	—	4
Division of State Architect Certification/Close out	—	—	—	—	1,594
Capital Projects	—	—	—	—	137,139
Ongoing & Major Maintenance Account	2,049	—	—	—	—
Certificates of Participation (Acquisition Accounts)					
Proceeds	7,366	—	—	—	—
Clean Cities Grant	86	—	—	—	—
B.E.S.T. Behavior – Special Education	29	—	—	—	—
Cognitive Behavioral Intervention Therapy	353	—	—	—	—
Debt Service Reserve	—	—	—	773,407	56,205
District Bonds	—	688,095	—	—	—
Total Restricted Balances	126,519	688,095	471,136	773,407	228,911
Committed to:					
Adult Education	—	—	—	—	5,395
Assigned to:					
Subsequent year expenditures	418,424	—	—	—	186,415
Unassigned					
Reserved for economic uncertainties	65,376	—	—	—	—
Unassigned	188,834	—	—	—	—
Total Fund Balances	\$ 819,806	\$ 691,525	\$ 471,136	\$ 773,407	\$ 426,407

LOS ANGELES UNIFIED SCHOOL DISTRICT

Notes to Basic Financial Statements

Year Ended June 30, 2015

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

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

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

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

Unassigned fund balances represent all other spendable amounts.

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

Minimum Fund Balance Policy

As part of the Budget and Finance Policy, the governing board has adopted a minimum fund balance policy for the General Fund in order to avoid the need for service level reductions in the event that an economic downturn causes revenues to be substantially lower than what was budgeted. The policy requires the District to maintain a reserve for economic uncertainty consisting of unassigned amounts equal to at least 1% of total General Fund expenditures and other financing uses. In the event that the District must expend all or part of this reserve, the District will identify and implement a budgetary plan to replenish this reserve the following year. This reserve may be adjusted based on changes to legal requirement.

It is also a policy that the Total General Fund balance be maintained at a minimum level of 5% of Total General Fund expenditures and transfers out. In the event that the General Fund balance falls below this level, all one-time monies will be set-aside until the 5% minimum reserve threshold is met. In addition, other recommendations that may be developed to restore reserve balances.

(15) Contingencies

(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

LOS ANGELES UNIFIED SCHOOL DISTRICT

Notes to Basic Financial Statements

Year Ended June 30, 2015

other things, to require the District to reinstate terminated, demoted, suspended, and laid-off employees, to remedy alleged noncompliance regarding special education schools, and to change existing instructional programs, pupil integration methods, and employment and administration procedures. In many proceedings, monetary damages are sought including, for example, claims for retroactive pay and benefits and future pay and benefits. Based on the opinion of counsel, management believes that the ultimate outcome of such lawsuits will not have a material effect on the District's financial condition.

(b) *Grants*

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

(c) *Construction Contracts*

The District has entered into various contracts for the construction of facilities throughout the campuses. During fiscal year 2014-15 the District entered into approximately 61 contracts with a combined value of \$168.6 million. The durations of the contracts range from one month to two years.

LOS ANGELES UNIFIED SCHOOL DISTRICT
Required Supplementary Information
Schedule of Funding Progress for Postemployment Healthcare Benefits
Year Ended June 30, 2015
(Dollar amounts in thousands)

Actuarial Valuation Date	Actuarial Value of Assets (AVA)	Actuarial Accrued Liability (Entry Age Normal) (AAL)*	Unfunded Actuarial Accrued Liability (UAAL)*	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
6/30/2009	\$ —	\$ 10,339,628	\$ 10,339,628	0%	\$ 4,628,914	223 %
6/30/2011	—	11,154,190	11,154,190	0	4,600,000	242
6/30/2013	—	10,901,982	10,901,982	0	4,600,000	237

*Note: Includes adjustment for the 40% excise tax included in the Healthcare Reform Act.

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
For the Year Ended June 30, 2015
(Dollar amounts in thousands)

	CalPERS – Safety 2015
Total Pension Liability	
Service Cost	\$ 8,284
Interest on total pension liability	22,121
Differences between expected and actual experience	—
Changes in assumptions	—
Changes in benefits	—
Benefit payments, including refunds of employee contributions	(12,325)
Net change in total pension liability	18,080
Total pension liability – beginning	296,973
Total pension liability – ending (a)	315,053
Plan fiduciary net position	
Contributions – employer	8,341
Contributions – employee	2,717
Net investment income (net of administrative expenses)	37,066
Benefit payments	(12,325)
Net change in plan fiduciary net position	35,799
Plan fiduciary net position – beginning	213,160
Plan fiduciary net position – ending (b)	248,959
Net pension liability – ending (a) - (b)	\$ 66,094
Plan fiduciary net position as a percentage of the total pension liability	79.02%
Covered – employee payroll	\$ 26,213
Net pension liability as percentage of covered – employee payroll	252.14%

* Fiscal year 2014-15 was the first year of implementation, therefore only one year is shown.

See accompanying independent auditor's report.

LOS ANGELES UNIFIED SCHOOL DISTRICT
Required Supplementary Information
Schedule of Contributions *
Agent Multiple-Employer Defined Benefit Pension Plan
For the Year Ended June 30, 2015
(Dollar amounts in thousands)

	CalPERS – Safety 2015
Actuarially determined contribution	\$ 9,342
Contributions in relation to the actuarially determined contributions	(9,342)
Contribution deficiency (excess)	<u>\$ —</u>
Covered – employee payroll	\$ 39,837
Contributions as a percentage of covered – employee payroll	23.45%

Notes to Schedule:

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

Valuation date	6/30/2012
Actuarial cost method	Entry Age Normal Cost Method
Amortization method	Level Percent of Payroll
Remaining amortization period	28 Years as of the Valuation Date
Asset valuation method	15 Year Smoothed Market
Inflation	2.75% compounded annually
Salary increases	3.30% to 14.20%. Varies by age, service and type of employment
Investment rate of return	7.5% compounded annually (net of administrative expenses).
Retirement age	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.
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.

* Fiscal year 2014-15 was the first year of implementation, therefore only one year is shown.

See accompanying independent auditor's report.

LOS ANGELES UNIFIED SCHOOL DISTRICT
Required Supplementary Information
Schedule of District Proportionate Share of the Net Pension Liability and Related Ratios and District Contributions *
Cost Sharing Multiple Employer Defined Benefit Pension Plan
For the Year Ended June 30, 2015
(Dollar amounts in thousands)

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

	CalSTRS 2014-2015	CalPERS – Miscellaneous 2014-2015
District's proportion of the net pension liability (asset)	5.7380%	9.3936%
District's proportionate share of the net pension liability (asset)	\$ 3,353,000	\$ 1,066,402
District's covered-employee payroll	2,585,154	839,116
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	129.70%	127.09%
Plan fiduciary net position as a percentage of the total pension liability	76.52%	83.38%

2. Schedule of District Contributions

	CalSTRS 2014-2015	CalPERS - Miscellaneous 2014-2015
Contractually required contribution		
District contributions	\$ 245,474	\$ 113,398
Contributions in relation to the contractually required contribution	245,474	113,398
Contribution deficiency (excess)	–	–
District's covered-employee payroll	2,771,643	1,016,759
Contributions as a percentage of covered-employee payroll	8.86%	11.15%

Notes to Schedule:

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

	6/30/2014	6/30/2013
Valuation date	Entry Age Normal	Entry Age Normal
Actuarial cost method	Level Percent of	Level Percent of
Amortization method	Payroll	Payroll
Remaining amortization period	30 years	20-year period
Asset valuation method	Expected Value with 33% adjustment to Market Value	Actuarial value of Assets
Inflation	3.00%	2.75%
Salary increases	3.75%	varies by entry age and duration of service
Investment rate of return	7.50%	7.50%
Retirement age	Experience Tables	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.
Mortality	RP-2000 Series Table	The probabilities of mortality are based on the most recent CalPERS Experience Study adopted by the CalPERS Board, first used in the 6/30/09 Valuation. Post- retirement mortality rates include 5 years of projected on-going mortality improvement using Scale AA published by the Society of Actuaries until June 30, 2010.

* Fiscal year 2014-15 was the first year of implementation, therefore only one year is shown.

See accompanying independent auditor's report.

LOS ANGELES UNIFIED SCHOOL DISTRICT

District Bonds Fund

Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual

Year Ended June 30, 2015

(in thousands)

	Budget		Actual	Variance with Final Budget – Favorable (Unfavorable)
	Original	Final		
Revenues:				
Federal revenues	\$ —	\$ —	\$ 1,752	\$ 1,752
Other local revenues	15,070	15,070	27,407	12,337
Total Revenues	15,070	15,070	29,159	14,089
Expenditures:				
Current:				
Classified salaries	106,713	141,351	63,220	78,131
Employee benefits	45,927	84,423	57,158	27,265
Books and supplies	97	14,073	2,855	11,218
Services and other operating expenditures	7,178	111,564	53,375	58,189
Capital outlay	819,556	685,415	452,029	233,386
Total Expenditures	979,471	1,036,826	628,637	408,189
Excess (Deficiency) of Revenues Over (Under) Expenditures	(964,401)	(1,021,756)	(599,478)	422,278
Other Financing Sources (Uses):				
Transfers in	—	123,327	123,327	—
Transfers out	(1,420)	(95,542)	(95,506)	36
Issuance of bonds	677,970	677,970	135,830	(542,140)
Total Other Financing Sources (Uses)	676,550	705,755	163,651	(542,104)
Net Changes in Fund Balances	(287,851)	(316,001)	(435,827)	(119,826)
Fund Balances, July 1, 2014	1,097,400	1,127,352	1,127,352	—
Fund Balances, June 30, 2015	\$ 809,549	\$ 811,351	\$ 691,525	\$ (119,826)

See accompanying independent auditor's report.

LOS ANGELES UNIFIED SCHOOL DISTRICT
County School Facilities Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual
Year Ended June 30, 2015
(in thousands)

	Budget		Actual	Variance with Final Budget – Favorable (Unfavorable)
	Original	Final		
Revenues:				
Other state revenues	\$ 60,906	\$ 60,906	\$ 15,447	\$ (45,459)
Other local revenues	3,670	3,670	3,456	(214)
Total Revenues	<u>64,576</u>	<u>64,576</u>	<u>18,903</u>	<u>(45,673)</u>
Expenditures:				
Current:				
Classified salaries	—	3,732	559	3,173
Employee benefits	—	1,482	239	1,243
Books and supplies	—	1,210	38	1,172
Services and other operating expenditures	—	50,800	1,489	49,311
Capital outlay	282,039	176,191	30,788	145,403
Total Expenditures	<u>282,039</u>	<u>233,415</u>	<u>33,113</u>	<u>200,302</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(217,463)</u>	<u>(168,839)</u>	<u>(14,210)</u>	<u>154,629</u>
Other Financing Sources (Uses):				
Transfers in	—	1,956	1,956	—
Transfers out	—	(61,608)	(61,608)	—
Total Other Financing Sources	<u>—</u>	<u>(59,652)</u>	<u>(59,652)</u>	<u>—</u>
Net Changes in Fund Balances	<u>(217,463)</u>	<u>(228,491)</u>	<u>(73,862)</u>	<u>154,629</u>
Fund Balances, July 1, 2014	<u>533,937</u>	<u>544,998</u>	<u>544,998</u>	<u>—</u>
Fund Balances, June 30, 2015	<u>\$ 316,474</u>	<u>\$ 316,507</u>	<u>\$ 471,136</u>	<u>\$ 154,629</u>

See accompanying independent auditor's report.

LOS ANGELES UNIFIED SCHOOL DISTRICT
Bond Interest and Redemption Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual
Year Ended June 30, 2015
(in thousands)

	Budget		Actual	Variance with Final Budget – Favorable (Unfavorable)
	Original	Final		
Revenues:				
Federal revenues	\$ 67,336	\$ 67,336	\$ 68,405	\$ 1,069
Other state revenues	4,937	4,937	4,374	(563)
Other local revenues	794,480	794,480	806,678	12,198
Total Revenues	866,753	866,753	879,457	12,704
Expenditures:				
Debt service – principal	868,232	869,540	332,225	537,315
Debt service – refunding bond issuance cost	—	—	1,308	(1,308)
Debt service – bond, COP's, and capital leases interest	—	—	492,773	(492,773)
Total Expenditures	868,232	869,540	826,306	43,234
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,479)	(2,787)	53,151	55,938
Other Financing Sources (Uses):				
Issuance of refunding bonds	—	326,045	326,045	—
Premium on bonds issued	—	—	6,302	6,302
Premium on refunding bonds issued	—	62,819	62,819	—
Payment to refunded bond escrow agent	—	(387,556)	(387,556)	—
Total Other Financing Sources	—	1,308	7,610	6,302
Net Changes in Fund Balances	(1,479)	(1,479)	60,761	62,240
Fund Balances, July 1, 2014	712,930	712,646	712,646	—
Fund Balances, June 30, 2015	\$ 711,451	\$ 711,167	\$ 773,407	\$ 62,240

See accompanying independent auditor's report.

LOS ANGELES UNIFIED SCHOOL DISTRICT

Nonmajor Governmental Funds

Special Revenue Funds

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

The 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.

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.

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

The 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.

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 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.



LOS ANGELES UNIFIED SCHOOL DISTRICT
Nonmajor Governmental Funds
Combining Balance Sheet
June 30, 2015
(in thousands)

	Special Revenue			
	Adult Education	Child Development	Cafeteria	Total
Assets:				
Cash in county treasury, in banks, and on hand	\$ 4,135	\$ 3,737	\$ 15,884	\$ 23,756
Cash held by trustee	—	—	—	—
Accounts receivable – net	4,115	25,889	11,874	41,878
Accrued interest receivable	54	4	20	78
Inventories	—	—	5,654	5,654
Total Assets	8,304	29,630	33,432	71,366
Deferred Outflows of Resources	—	—	—	—
Total Assets and Deferred Outflows of Resources	\$ 8,304	\$ 29,630	\$ 33,432	\$ 71,366
Liabilities and Fund Balances:				
Vouchers and accounts payable	\$ 808	\$ 402	\$ 1,591	\$ 2,801
Contracts payable	7	—	—	7
Accrued payroll	1,935	4,753	2,755	9,443
Other payables	—	—	597	597
Due to other funds	—	23,600	—	23,600
Unearned revenue	128	324	314	766
Total Liabilities	2,878	29,079	5,257	37,214
Deferred Inflows of Resources	—	—	—	—
Fund Balances:				
Nonspendable	31	1	5,654	5,686
Restricted	—	—	22,521	22,521
Committed	5,395	—	—	5,395
Assigned	—	550	—	550
Total Fund Balances	5,426	551	28,175	34,152
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 8,304	\$ 29,630	\$ 33,432	\$ 71,366

See accompanying independent auditors' report.

Debt Service

Tax Override	Capital Services	Total
\$ 386	\$ 10,469	\$ 10,855
—	45,315	45,315
—	—	—
1	34	35
—	—	—
387	55,818	56,205
—	—	—
\$ 387	\$ 55,818	\$ 56,205
\$ —	\$ —	\$ —
—	—	—
—	—	—
—	—	—
—	—	—
—	—	—
—	—	—
—	—	—
—	—	—
—	—	—
—	—	—
387	55,818	56,205
—	—	—
—	—	—
387	55,818	56,205
\$ 387	\$ 55,818	\$ 56,205

(Continued)

LOS ANGELES UNIFIED SCHOOL DISTRICT
Nonmajor Governmental Funds
Combining Balance Sheet (Continued)
June 30, 2015
(in thousands)

				Capital
	Building	Capital Facilities Account	State School Building Lease – Purchase	Special Reserve – Community Redevelopment Agency
Assets:				
Cash in county treasury, in banks, and on hand	\$ 8,154	\$ 164,660	\$ 11,971	\$ 52,508
Cash held by trustee	—	—	—	—
Accounts receivable – net	—	14,078	—	—
Accrued interest receivable	25	505	38	140
Inventories	—	—	—	—
Total Assets	<u>8,179</u>	<u>179,243</u>	<u>12,009</u>	<u>52,648</u>
Deferred Outflows of Resources	—	—	—	—
Total Asset and Deferred Outflows of Resources	<u>\$ 8,179</u>	<u>\$ 179,243</u>	<u>\$ 12,009</u>	<u>\$ 52,648</u>
Liabilities and Fund Balances:				
Vouchers and accounts payable	\$ 4	\$ 307	\$ 133	\$ 139
Contracts payable	—	3,268	174	—
Accrued payroll	—	23	—	194
Other payables	—	70	5,784	—
Due to other funds	—	—	—	—
Unearned revenue	—	—	—	—
Total Liabilities	<u>4</u>	<u>3,668</u>	<u>6,091</u>	<u>333</u>
Deferred Inflows of Resources	—	—	—	—
Fund Balances:				
Nonspendable	—	—	—	—
Restricted	—	—	5,918	52,315
Committed	—	—	—	—
Assigned	8,175	175,575	—	—
Total Fund Balances	<u>8,175</u>	<u>175,575</u>	<u>5,918</u>	<u>52,315</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 8,179</u>	<u>\$ 179,243</u>	<u>\$ 12,009</u>	<u>\$ 52,648</u>

See accompanying independent auditors' report.

Projects

Special Reserve	Special Reserve – FEMA – Earthquake	Special Reserve – FEMA – Hazard Mitigation	Total	Total Nonmajor Governmental Funds
\$ 84,327	\$ 7,172	\$ 2,051	\$ 330,843	\$ 365,454
2,095	—	—	2,095	47,410
—	—	—	14,078	55,956
253	24	7	992	1,105
—	—	—	—	5,654
86,675	7,196	2,058	348,008	475,579
—	—	—	—	—
<u>\$ 86,675</u>	<u>\$ 7,196</u>	<u>\$ 2,058</u>	<u>\$ 348,008</u>	<u>\$ 475,579</u>
\$ 569	\$ 11	\$ —	\$ 1,163	\$ 3,964
83	—	—	3,525	3,532
—	4	—	221	9,664
1,195	—	—	7,049	7,646
—	—	—	—	23,600
—	—	—	—	766
1,847	15	—	11,958	49,172
—	—	—	—	—
—	—	—	—	5,686
84,828	7,124	—	150,185	228,911
—	—	—	—	5,395
—	57	2,058	185,865	186,415
84,828	7,181	2,058	336,050	426,407
<u>\$ 86,675</u>	<u>\$ 7,196</u>	<u>\$ 2,058</u>	<u>\$ 348,008</u>	<u>\$ 475,579</u>

LOS ANGELES UNIFIED SCHOOL DISTRICT
Nonmajor Governmental Funds
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Year Ended June 30, 2015
(in thousands)

	Special Revenue			
	Adult Education	Child Development	Cafeteria	Total
Revenues:				
Local Control Funding Formula sources	\$ 58,147	\$ —	\$ —	\$ 58,147
Federal revenues	11,544	25,738	306,455	343,737
Other state revenues	3,750	80,354	22,737	106,841
Other local revenues	1,542	6,473	7,300	15,315
Total Revenues	74,983	112,565	336,492	524,040
Expenditures:				
Current:				
Certificated salaries	35,776	39,209	—	74,985
Classified salaries	11,249	43,378	97,527	152,154
Employee benefits	22,577	43,801	82,870	149,248
Books and supplies	4,348	1,845	182,306	188,499
Services and other operating expenditures	4,338	2,663	2,376	9,377
Capital outlay	220	—	2,376	2,596
Debt service – principal	—	79	—	79
Debt service – bond, COP's, and capital leases interest	—	—	—	—
Total Expenditures	78,508	130,975	367,455	576,938
Excess (Deficiency) of Revenues Over (Under) Expenditures	(3,525)	(18,410)	(30,963)	(52,898)
Other Financing Sources (Uses):				
Transfers in	3,333	24,997	51,299	79,629
Transfers – support costs	(3,367)	(6,663)	(18,211)	(28,241)
Transfers out	(4)	—	—	(4)
Payment to COPs escrow agent	—	—	—	—
Land and building sale	—	—	—	—
Total Other Financing Sources (Uses)	(38)	18,334	33,088	51,384
Net Changes in Fund Balances	(3,563)	(76)	2,125	(1,514)
Fund Balances, July 1, 2014	8,989	627	26,050	35,666
Fund Balances, June 30, 2015	\$ 5,426	\$ 551	\$ 28,175	\$ 34,152

See accompanying independent auditor's report.

Debt Service

Tax Override	Capital Services	Total
\$ —	\$ —	\$ —
—	569	569
—	—	—
3	226	229
3	795	798
—	—	—
—	—	—
—	—	—
—	—	—
—	—	—
—	35,066	35,066
—	15,019	15,019
—	50,085	50,085
3	(49,290)	(49,287)
—	50,051	50,051
—	—	—
—	—	—
—	—	—
—	—	—
—	50,051	50,051
3	761	764
384	55,057	55,441
\$ 387	\$ 55,818	\$ 56,205

(Continued)

LOS ANGELES UNIFIED SCHOOL DISTRICT
Nonmajor Governmental Funds
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances (Continued)
Year Ended June 30, 2015
(in thousands)

			State School Building Lease – Purchase	Capital Reserve – Community Redevelopment Agency
	Building	Capital Facilities Account		
Revenues:				
Local Control Funding Formula sources	\$ —	\$ —	\$ —	\$ —
Federal revenues	—	—	—	—
Other state revenues	—	—	1,567	—
Other local revenues	3,424	78,948	89	23,489
Total Revenues	3,424	78,948	1,656	23,489
Expenditures:				
Current:				
Certificated salaries	—	—	—	—
Classified salaries	—	471	—	3,313
Employee benefits	—	201	—	1,585
Books and supplies	—	1	—	86
Services and other operating expenditures	—	706	—	732
Capital outlay	—	23,466	1	4
Debt service – principal	—	—	—	—
Debt service – bond, COP's, and capital leases interest	—	—	—	—
Total Expenditures	—	24,845	1	5,720
Excess (Deficiency) of Revenues Over (Under) Expenditures	3,424	54,103	1,655	17,769
Other Financing Sources (Uses):				
Transfers in	440	—	—	—
Transfers – support costs	—	—	—	—
Transfers out	—	(21,318)	(97)	(90)
Payment to COPs escrow agent	—	—	—	—
Land and building sale	—	—	—	—
Total Other Financing Sources (Uses)	440	(21,318)	(97)	(90)
Net Changes in Fund Balances	3,864	32,785	1,558	17,679
Fund Balances, July 1, 2014	4,311	142,790	4,360	34,636
Fund Balances, June 30, 2015	\$ 8,175	\$ 175,575	\$ 5,918	\$ 52,315

See accompanying independent auditor's report.

Projects

Special Reserve	Special Reserve – FEMA – Earthquake	Special Reserve – FEMA – Hazard Mitigation	Total	Total Nonmajor Governmental Funds
\$ —	\$ —	\$ —	\$ —	\$ 58,147
—	—	—	—	344,306
—	—	—	1,567	108,408
13,602	51	15	119,618	135,162
13,602	51	15	121,185	646,023
—	—	—	—	74,985
537	13	—	4,334	156,488
186	5	—	1,977	151,225
420	—	—	507	189,006
442	12	—	1,892	11,269
8,823	407	—	32,701	35,297
—	—	—	—	35,145
—	—	—	—	15,019
10,408	437	—	41,411	668,434
3,194	(386)	15	79,774	(22,411)
46,139	—	—	46,579	176,259
—	—	—	—	(28,241)
(8,641)	—	—	(30,146)	(30,150)
(33,218)	—	—	(33,218)	(33,218)
139	—	—	139	139
4,419	—	—	(16,646)	84,789
7,613	(386)	15	63,128	62,378
77,215	7,567	2,043	272,922	364,029
\$ 84,828	\$ 7,181	\$ 2,058	\$ 336,050	\$ 426,407

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, 2015
(in thousands)

	Adult Education			Variance with Final Budget – Favorable (Unfavorable)
	Budget		Actual	
	Original	Final		
Revenues:				
Local Control Funding Formula sources	\$ 66,091	\$ 66,423	\$ 58,147	\$ (8,276)
Federal revenues	15,082	12,355	11,544	(811)
Other state revenues	5,019	2,150	3,750	1,600
Other local revenues	2,258	1,595	1,542	(53)
Total Revenues	88,450	82,523	74,983	(7,540)
Expenditures:				
Current:				
Certificated salaries	34,243	39,551	35,776	3,775
Classified salaries	11,367	11,329	11,249	80
Employee benefits	21,722	22,708	22,577	131
Books and supplies	19,787	8,400	4,348	4,052
Services and other operating expenditures	4,788	6,082	4,338	1,744
Capital outlay	2,501	4,897	220	4,677
Debt Service – principal	—	—	—	—
Total Expenditures	94,408	92,967	78,508	14,459
Excess (Deficiency) of Revenues Over (Under) Expenditures	(5,958)	(10,444)	(3,525)	6,919
Other Financing Sources (Uses):				
Transfers in	—	5,235	3,333	(1,902)
Transfers – support costs	—	(3,714)	(3,367)	347
Transfers out	—	(4)	(4)	—
Total Other Financing Sources (Uses)	—	1,517	(38)	(1,555)
Net Changes in Fund Balances	(5,958)	(8,927)	(3,563)	5,364
Fund Balances, July 1, 2014	6,020	8,989	8,989	—
Fund Balances, June 30, 2015	\$ 62	\$ 62	\$ 5,426	\$ 5,364

See accompanying independent auditor's report.

Child Development				Cafeteria			
Budget		Actual	Variance with Final Budget – Favorable (Unfavorable)	Budget		Actual	Variance with Final Budget – Favorable (Unfavorable)
Original	Final			Original	Final		
\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
26,033	25,976	25,738	(238)	297,085	302,891	306,455	3,564
69,279	68,279	80,354	12,075	21,721	21,520	22,737	1,217
8,465	7,701	6,473	(1,228)	6,496	6,587	7,300	713
103,777	101,956	112,565	10,609	325,302	330,998	336,492	5,494
37,066	39,257	39,209	48	—	—	—	—
44,267	45,917	43,378	2,539	88,899	97,565	97,527	38
44,499	44,426	43,801	625	85,326	82,882	82,870	12
8,519	4,756	1,845	2,911	186,788	187,846	182,306	5,540
3,312	3,400	2,663	737	4,335	2,583	2,376	207
—	—	—	—	1,834	2,427	2,376	51
554	554	79	475	—	—	—	—
138,217	138,310	130,975	7,335	367,182	373,303	367,455	5,848
(34,440)	(36,354)	(18,410)	17,944	(41,880)	(42,305)	(30,963)	11,342
40,687	42,659	24,997	(17,662)	64,535	58,372	51,299	(7,073)
(6,880)	(6,931)	(6,663)	268	(18,151)	(18,495)	(18,211)	284
—	—	—	—	(4,964)	(1)	—	1
33,807	35,728	18,334	(17,394)	41,420	39,876	33,088	(6,788)
(633)	(626)	(76)	550	(460)	(2,429)	2,125	4,554
634	627	627	—	21,070	26,050	26,050	—
\$ 1	\$ 1	\$ 551	\$ 550	\$ 20,610	\$ 23,621	\$ 28,175	\$ 4,554

(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, 2015
(in thousands)

	Total			Variance with Final Budget – Favorable (Unfavorable)
	Budget		Actual	
	Original	Final		
Revenues:				
Local Control Funding Formula sources	\$ 66,091	\$ 66,423	\$ 58,147	\$ (8,276)
Federal revenues	338,200	341,222	343,737	2,515
Other state revenues	96,019	91,949	106,841	14,892
Other local revenues	17,219	15,883	15,315	(568)
Total Revenues	517,529	515,477	524,040	8,563
Expenditures:				
Current:				
Certificated salaries	71,309	78,808	74,985	3,823
Classified salaries	144,533	154,811	152,154	2,657
Employee benefits	151,547	150,016	149,248	768
Books and supplies	215,094	201,002	188,499	12,503
Services and other operating expenditures	12,435	12,065	9,377	2,688
Capital outlay	4,335	7,324	2,596	4,728
Debt Service – principal	554	554	79	475
Total Expenditures	599,807	604,580	576,938	27,642
Excess (Deficiency) of Revenues Over (Under) Expenditures	(82,278)	(89,103)	(52,898)	36,205
Other Financing Sources (Uses):				
Transfers in	105,222	106,266	79,629	(26,637)
Transfers – support costs	(25,031)	(29,140)	(28,241)	899
Transfers out	(4,964)	(5)	(4)	1
Total Other Financing Sources (Uses)	75,227	77,121	51,384	(25,737)
Net Changes in Fund Balances	(7,051)	(11,982)	(1,514)	10,468
Fund Balances, July 1, 2014	27,724	35,666	35,666	—
Fund Balances, June 30, 2015	\$ 20,673	\$ 23,684	\$ 34,152	\$ 10,468

See accompanying independent auditor's report.



LOS ANGELES UNIFIED SCHOOL DISTRICT
Debt Service Funds
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual
Year Ended June 30, 2015
(in thousands)

	Tax Override			Variance with Final Budget – Favorable (Unfavorable)
	Budget		Actual	
	Original	Final		
Revenues:				
Federal revenues	\$ —	\$ —	\$ —	\$ —
Other state revenues	—	—	—	—
Other local revenues	—	—	3	3
Total Revenues	—	—	3	3
Expenditures:				
Debt service – principal	—	—	—	—
Debt service – bond, COPs, and capital lease interest	—	384	—	384
Total Expenditures	—	384	—	384
Excess (Deficiency) of Revenues Over (Under) Expenditures	—	(384)	3	387
Other Financing Sources (Uses):				
Transfers in	—	—	—	—
Total Other Financing Sources	—	—	—	—
Net Changes in Fund Balances	—	(384)	3	387
Fund Balances, July 1, 2014	332	384	384	—
Fund Balances, June 30, 2015	\$ 332	\$ —	\$ 387	\$ 387

See accompanying independent auditor's report.

Capital Services				Total			
Budget		Actual	Variance with Final Budget – Favorable (Unfavorable)	Budget		Actual	Variance with Final Budget – Favorable (Unfavorable)
Original	Final			Original	Final		
\$ 570	\$ 570	\$ 569	\$ (1)	\$ 570	\$ 570	\$ 569	\$ (1)
—	—	—	—	—	—	—	—
227	227	226	(1)	227	227	229	2
797	797	795	(2)	797	797	798	1
38,384	35,066	35,066	—	38,384	35,066	35,066	—
17,252	15,830	15,019	811	17,252	16,214	15,019	1,195
55,636	50,896	50,085	811	55,636	51,280	50,085	1,195
(54,839)	(50,099)	(49,290)	809	(54,839)	(50,483)	(49,287)	1,196
55,381	50,641	50,051	(590)	55,381	50,641	50,051	(590)
55,381	50,641	50,051	(590)	55,381	50,641	50,051	(590)
542	542	761	219	542	158	764	606
55,042	55,057	55,057	—	55,374	55,441	55,441	—
\$ 55,584	\$ 55,599	\$ 55,818	\$ 219	\$ 55,916	\$ 55,599	\$ 56,205	\$ 606

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, 2015
(in thousands)

	Building			Variance with Final Budget – Favorable (Unfavorable)
	Budget		Actual	
	Original	Final		
Revenues:				
Federal revenues	\$ —	\$ —	\$ —	\$ —
Other state revenues	—	—	—	—
Other local revenues	800	800	3,424	2,624
Total Revenues	800	800	3,424	2,624
Expenditures:				
Current:				
Classified salaries	—	—	—	—
Employee benefits	—	—	—	—
Books and supplies	—	—	—	—
Services and other operating expenditures	—	—	—	—
Capital outlay	4,926	5,551	—	5,551
Total Expenditures	4,926	5,551	—	5,551
Excess (Deficiency) of Revenues Over (Under) Expenditures	(4,126)	(4,751)	3,424	8,175
Other Financing Sources (Uses):				
Transfers in	—	440	440	—
Transfers out	—	—	—	—
Issuance of refunding COPs	—	—	—	—
Premium on COPs issued	—	—	—	—
Discount on issuance of COPs	—	—	—	—
Payment to COPs escrow agent	—	—	—	—
Land and building sale	—	—	—	—
Issuance of refunding COPs	—	—	—	—
Total Other Financing Sources (Uses)	—	440	440	—
Net Changes in Fund Balances	(4,126)	(4,311)	3,864	8,175
Fund Balances, July 1, 2014	4,126	4,311	4,311	—
Fund Balances, June 30, 2015	\$ —	\$ —	\$ 8,175	\$ 8,175

See accompanying independent auditor's report.

Capital Facilities Account				State School Building – Lease Purchase			
Budget		Actual	Variance with Final Budget – Favorable (Unfavorable)	Budget		Actual	Variance with Final Budget – Favorable (Unfavorable)
Original	Final			Original	Final		
\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
—	—	—	—	—	—	1,567	1,567
41,238	41,238	78,948	37,710	—	—	89	89
41,238	41,238	78,948	37,710	—	—	1,656	1,656
432	1,001	471	530	—	—	—	—
184	387	201	186	—	—	—	—
43	43	1	42	—	—	—	—
93,313	29,569	706	28,863	—	—	—	—
19,103	84,010	23,466	60,544	4,352	4,263	1	4,262
113,075	115,010	24,845	90,165	4,352	4,263	1	4,262
(71,837)	(73,772)	54,103	127,875	(4,352)	(4,263)	1,655	5,918
—	—	—	—	—	—	—	—
(9,576)	(21,321)	(21,318)	3	—	(97)	(97)	—
—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—
(9,576)	(21,321)	(21,318)	3	—	(97)	(97)	—
(81,413)	(95,093)	32,785	127,878	(4,352)	(4,360)	1,558	5,918
129,110	142,790	142,790	—	4,352	4,360	4,360	—
\$ 47,697	\$ 47,697	\$ 175,575	\$ 127,878	\$ —	\$ —	\$ 5,918	\$ 5,918

(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, 2015
(in thousands)

	Special Reserve – Community Redevelopment Agency		
	Budget		Variance with Final Budget – Favorable (Unfavorable)
	Original	Final	
Revenues:			
Federal revenues	\$ —	\$ —	\$ —
Other state revenues	—	—	—
Other local revenues	17,099	28,614	(5,125)
Total Revenues	17,099	28,614	(5,125)
Expenditures:			
Current:			
Classified salaries	3,389	3,509	196
Employee benefits	1,658	1,647	62
Books and supplies	—	1,000	914
Services and other operating expenditures	238	742	10
Capital outlay	49,887	55,806	55,802
Total Expenditures	55,172	62,704	56,984
Excess (Deficiency) of Revenues Over (Under) Expenditures	(38,073)	(34,090)	51,859
Other Financing Sources (Uses):			
Transfers in	—	—	—
Transfers out	—	(90)	—
Issuance of refunding COPs	—	—	—
Premium on COPs issued	—	—	—
Discount on issuance of COPs	—	—	—
Payment to COPs escrow agent	—	—	—
Land and building sale	—	—	—
Issuance of refunding COPs	—	—	—
Total Other Financing Sources (Uses)	—	(90)	—
Net Changes in Fund Balances	(38,073)	(34,180)	51,859
Fund Balances, July 1, 2014	38,073	34,636	—
Fund Balances, June 30, 2015	\$ —	\$ 456	\$ 51,859

See accompanying independent auditors' report.

Special Reserve				Special Reserve – FEMA – Earthquake			
Budget		Actual	Variance with Final Budget – Favorable (Unfavorable)	Budget		Actual	Variance with Final Budget – Favorable (Unfavorable)
Original	Final			Original	Final		
\$ —	\$ 1,752	\$ —	\$ (1,752)	\$ —	\$ —	\$ —	\$ —
3,922	—	—	—	—	—	—	—
36,400	36,570	13,602	(22,968)	—	—	51	51
40,322	38,322	13,602	(24,720)	—	—	51	51
—	1,378	537	841	—	99	13	86
—	477	186	291	—	27	5	22
—	4,500	420	4,080	—	9	—	9
1	24,784	442	24,342	—	2,736	12	2,724
109,786	90,727	8,823	81,904	—	600	407	193
109,787	121,866	10,408	111,458	—	3,471	437	3,034
(69,465)	(83,544)	3,194	86,738	—	(3,471)	(386)	3,085
—	46,139	46,139	—	—	—	—	—
—	(6,592)	(8,641)	(2,049)	—	—	—	—
—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—
—	(33,218)	(33,218)	—	—	—	—	—
—	—	139	139	—	—	—	—
—	—	—	—	—	—	—	—
—	6,329	4,419	(1,910)	—	—	—	—
(69,465)	(77,215)	7,613	84,828	—	(3,471)	(386)	3,085
69,465	77,215	77,215	—	240	7,567	7,567	—
\$ —	\$ —	\$ 84,828	\$ 84,828	\$ 240	\$ 4,096	\$ 7,181	\$ 3,085

(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, 2015
(in thousands)

	Special Reserve – FEMA – Hazard Mitigation		
	Budget		Variance with Final Budget – Favorable (Unfavorable)
	Original	Final	
Revenues:			
Federal revenues	\$ —	\$ —	\$ —
Other state revenues	—	—	—
Other local revenues	—	—	15
Total Revenues	—	—	15
Expenditures:			
Current:			
Classified salaries	—	—	—
Employee benefits	—	—	—
Books and supplies	—	—	—
Services and other operating expenditures	—	—	—
Capital outlay	—	—	—
Total Expenditures	—	—	—
Excess (Deficiency) of Revenues Over (Under) Expenditures	—	—	15
Other Financing Sources (Uses):			
Transfers in	—	—	—
Transfers out	—	—	—
Issuance of refunding COPs	—	—	—
Premium on COPs issued	—	—	—
Discount on issuance of COPs	—	—	—
Payment to COPs escrow agent	—	—	—
Land and building sale	—	—	—
Issuance of refunding COPs	—	—	—
Total Other Financing Sources (Uses)	—	—	—
Net Changes in Fund Balances	—	—	15
Fund Balances, July 1, 2014	2,043	2,043	2,043
Fund Balances, June 30, 2015	<u>\$ 2,043</u>	<u>\$ 2,043</u>	<u>\$ 2,058</u>

See accompanying independent auditors' report.

Total			
Budget		Actual	Variance with Final Budget – Favorable (Unfavorable)
Original	Final		
\$ —	\$ 1,752	\$ —	\$ (1,752)
3,922	—	1,567	1,567
95,537	107,222	119,618	12,396
99,459	108,974	121,185	12,211
3,821	5,987	4,334	1,653
1,842	2,538	1,977	561
43	5,552	507	5,045
93,552	57,831	1,892	55,939
188,054	240,957	32,701	208,256
287,312	312,865	41,411	271,454
(187,853)	(203,891)	79,774	283,665
—	46,579	46,579	—
(9,576)	(28,100)	(30,146)	(2,046)
—	—	—	—
—	—	—	—
—	(33,218)	(33,218)	—
—	—	139	139
—	—	—	—
(9,576)	(14,739)	(16,646)	(1,907)
(197,429)	(218,630)	63,128	281,758
247,409	272,922	272,922	—
\$ 49,980	\$ 54,292	\$ 336,050	\$ 281,758



LOS ANGELES UNIFIED SCHOOL DISTRICT

Internal Service Funds

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

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

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

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LOS ANGELES UNIFIED SCHOOL DISTRICT
Internal Service Funds
Combining Statement of Net Position
June 30, 2015
(in thousands)

	Health and Welfare Benefits	Workers' Compensation Self-Insurance	Liability Self-Insurance	Total
Assets:				
Cash in county treasury, in banks, and on hand	\$ 315,374	\$ 492,257	\$ 213,812	\$ 1,021,443
Accounts receivable – net	4,471	141	—	4,612
Accrued interest and dividends receivable	1,101	1,325	535	2,961
Prepays	44,712	—	1,550	46,262
Other assets	5,885	—	—	5,885
Total Assets	371,543	493,723	215,897	1,081,163
Deferred Outflows of Resources	214	359	119	692
Liabilities:				
Current:				
Vouchers and accounts payable	2,895	2,356	223	5,474
Accrued payroll	444	436	216	1,096
Other payables	47,271	—	95	47,366
Estimated liability for self-insurance claims	23,306	87,314	186,659	297,279
Total Current Liabilities	73,916	90,106	187,193	351,215
Noncurrent:				
Estimated liability for self-insurance claims	—	396,777	26,654	423,431
Net pension liability	2,012	3,216	1,183	6,411
Total Liabilities	75,928	490,099	215,030	781,057
Deferred Inflows of Resources	691	1,062	387	2,140
Total Net Position – Unrestricted	\$ 295,138	\$ 2,921	\$ 599	\$ 298,658

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, 2015
(in thousands)

	Health and Welfare Benefits	Workers' Compensation	Liability	Total
Operating Revenues:				
In-District premiums	\$ 948,454	\$ 180,279	\$ 53,589	\$ 1,182,322
Others	396	—	—	396
Total Operating Revenues	<u>948,850</u>	<u>180,279</u>	<u>53,589</u>	<u>1,182,718</u>
Operating Expenses:				
Certificated salaries	—	—	166	166
Classified salaries	1,866	2,785	916	5,567
Employee benefits	902	1,313	469	2,684
Supplies	289	43	63	395
Premiums and claims expenses	990,995	162,576	52,629	1,206,200
Claims administration	—	12,394	500	12,894
Other contracted services	1,153	454	389	1,996
Total Operating Expenses	<u>995,205</u>	<u>179,565</u>	<u>55,132</u>	<u>1,229,902</u>
Operating Loss	<u>(46,355)</u>	<u>714</u>	<u>(1,543)</u>	<u>(47,184)</u>
Nonoperating Revenues (Expenses):				
Investment income	2,426	2,841	1,182	6,449
Miscellaneous expense	—	(27)	—	(27)
Total Nonoperating Revenues	<u>2,426</u>	<u>2,814</u>	<u>1,182</u>	<u>6,422</u>
Income (Loss) before Transfers	<u>(43,929)</u>	<u>3,528</u>	<u>(361)</u>	<u>(40,762)</u>
Transfers in	<u>10,141</u>	<u>—</u>	<u>—</u>	<u>10,141</u>
Changes in Net Position	<u>(33,788)</u>	<u>3,528</u>	<u>(361)</u>	<u>(30,621)</u>
Total Net Position, July 1, 2014, Restated	<u>328,926</u>	<u>(607)</u>	<u>960</u>	<u>329,279</u>
Total Net Position, June 30, 2015	<u>\$ 295,138</u>	<u>\$ 2,921</u>	<u>\$ 599</u>	<u>\$ 298,658</u>

See accompanying independent auditor's report.

LOS ANGELES UNIFIED SCHOOL DISTRICT
Internal Service Funds
Combining Statement of Cash Flows
Year Ended June 30, 2015
(in thousands)

	Health and Welfare Benefits	Workers' Compensation	Liability	Total
Cash Flows from Operating Activities:				
Cash payments to employees for services	\$ (2,685)	\$ (4,536)	\$ (1,570)	\$ (8,791)
Cash payments for goods and services	(972,704)	(112,368)	(37,869)	(1,122,941)
Receipts from assessment to other funds	948,454	180,245	53,589	1,182,288
Other operating revenue	396	—	—	396
Net Cash Provided (Used) by Operating Activities	<u>(26,539)</u>	<u>63,341</u>	<u>14,150</u>	<u>50,952</u>
Cash Flows from Non-Capital Financing Activities:				
Transfer from other funds	10,141	—	—	10,141
Net Cash Provided by Non-Capital Financing Activities	<u>10,141</u>	<u>—</u>	<u>—</u>	<u>10,141</u>
Cash Flows from Investing Activities:				
Earnings on investments	2,508	2,934	1,137	6,579
Net Cash Provided by Investing Activities	<u>2,508</u>	<u>2,934</u>	<u>1,137</u>	<u>6,579</u>
Net Increase (Decrease) in Cash and Cash Equivalents	<u>(13,890)</u>	<u>66,275</u>	<u>15,287</u>	<u>67,672</u>
Cash and Cash Equivalents, July 1	329,264	425,982	198,525	953,771
Cash and Cash Equivalents, June 30	<u>\$ 315,374</u>	<u>\$ 492,257</u>	<u>\$ 213,812</u>	<u>\$ 1,021,443</u>
Reconciliation of Operating Loss to Net Cash Provided (Used) by Operating Activities:				
Operating Income (Loss)	<u>\$ (46,355)</u>	<u>\$ 714</u>	<u>\$ (1,543)</u>	<u>\$ (47,184)</u>
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Net decrease in pension expense from actuarial valuation	(35)	(61)	(27)	(123)
Change in Assets: Decrease (Increase)				
Accounts receivable	2,604	(33)	—	2,571
Prepays	(466)	—	388	(78)
Other assets	(432)	—	—	(432)
Change in Liabilities: Increase (Decrease)				
Vouchers and accounts payable	571	553	(85)	1,039
Accrued payroll	119	(378)	8	(251)
Other payables	14,783	—	95	14,878
Estimated liability for self-insurance claims – current	2,672	11,756	19,150	33,578
Estimated liability for self-insurance claims – noncurrent	—	50,789	(3,836)	46,953
Total Adjustments	<u>19,816</u>	<u>62,626</u>	<u>15,693</u>	<u>98,135</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ (26,539)</u>	<u>\$ 63,340</u>	<u>\$ 14,150</u>	<u>\$ 50,951</u>

See accompanying independent auditor's report.



LOS ANGELES UNIFIED SCHOOL DISTRICT

Fiduciary Funds

Agency Funds

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

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

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

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LOS ANGELES UNIFIED SCHOOL DISTRICT
Fiduciary Funds – Agency Funds
Combining Statement of Changes in Assets and Liabilities
Year Ended June 30, 2015
(in thousands)

	<u>Balance</u> <u>June 30, 2014</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2015</u>
<u>Payroll Agency Fund</u>				
Assets				
Cash in county treasury, in banks, and on hand	\$ 78,979	\$ 11,799,568	\$ 11,786,721	\$ 91,826
Total Assets	<u>\$ 78,979</u>	<u>\$ 11,799,568</u>	<u>\$ 11,786,721</u>	<u>\$ 91,826</u>
Liabilities				
Other payables	\$ 78,979	\$ 12,903,241	\$ 12,890,394	\$ 91,826
Total Liabilities	<u>\$ 78,979</u>	<u>\$ 12,903,241</u>	<u>\$ 12,890,394</u>	<u>\$ 91,826</u>
<u>Attendance Incentive Reserve Fund</u>				
Assets				
Cash in county treasury, in banks, and on hand	\$ 17,172	\$ 481	\$ 990	\$ 16,663
Accrued interest receivable	64	174	184	54
Total Assets	<u>\$ 17,236</u>	<u>\$ 655</u>	<u>\$ 1,174</u>	<u>\$ 16,717</u>
Liabilities				
Other payables	\$ 17,236	\$ 174	\$ 693	\$ 16,717
Total Liabilities	<u>\$ 17,236</u>	<u>\$ 174</u>	<u>\$ 693</u>	<u>\$ 16,717</u>
<u>Student Body Fund</u>				
Assets				
Cash in county treasury, in banks, and on hand	\$ 21,052	\$ 54,476	\$ 55,168	\$ 20,360
Total Assets	<u>\$ 21,052</u>	<u>\$ 54,476</u>	<u>\$ 55,168</u>	<u>\$ 20,360</u>
Liabilities				
Other payables	\$ 21,052	\$ 54,476	\$ 55,168	\$ 20,360
Total Liabilities	<u>\$ 21,052</u>	<u>\$ 54,476</u>	<u>\$ 55,168</u>	<u>\$ 20,360</u>
<u>Total Agency Funds</u>				
Assets				
Cash in county treasury, in banks, and on hand	\$ 117,203	\$ 11,854,525	\$ 11,842,879	\$ 128,849
Accrued interest receivable	64	174	184	54
Total Assets	<u>\$ 117,267</u>	<u>\$ 11,854,699</u>	<u>\$ 11,843,063</u>	<u>\$ 128,903</u>
Liabilities				
Other payables	\$ 117,267	\$ 12,957,891	\$ 12,946,255	\$ 128,903
Total Liabilities	<u>\$ 117,267</u>	<u>\$ 12,957,891</u>	<u>\$ 12,946,255</u>	<u>\$ 128,903</u>

See accompanying independent auditor's report.



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

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LOS ANGELES UNIFIED SCHOOL DISTRICT
Capital Assets Used in the Operation of Governmental Funds
Comparative Schedule by Source
June 30, 2015 and 2014
(in thousands)

	2014-2015	2013-2014 (As Restated)
Governmental Funds Capital Assets:		
Sites	\$ 3,095,039	\$ 3,084,939
Improvement of sites	590,264	563,691
Building and improvements	15,111,900	14,698,220
Equipment	1,863,980	1,835,225
Construction in progress	560,203	689,833
Total Governmental Funds Capital Assets	<u>\$ 21,221,386</u>	<u>\$ 20,871,908</u>
Investments in Governmental Funds Capital Assets by Source:		
From revenues of:		
General Fund	\$ 1,387,453	\$ 1,556,035
Special Revenue Funds:		
Adult Education Fund	52,753	52,564
Cafeteria Fund	46,122	43,746
Child Development Fund	17,704	17,704
Deferred Maintenance Fund	18,507	18,507
Capital Projects Funds:		
Building Fund	36,457	36,457
Building Fund – Bond Proceeds	1,731,989	1,730,881
Building Fund – Measure K	3,179,998	3,157,293
Building Fund – Measure R	3,383,277	3,274,704
Building Fund – Measure Y	2,565,557	2,273,664
State School Building Lease – Purchase Fund	1,026,620	1,026,620
Special Reserve Fund	1,430,196	1,422,848
Special Reserve Fund – FEMA – Earthquake	13,077	12,670
Special Reserve Fund – FEMA – Hazard Mitigation	3,517	3,517
Special Reserve Fund – CRA	9,605	9,601
Capital Facilities Fund	526,776	497,507
County School Facilities Fund	831,449	831,449
County School Facilities Fund – Prop 47	933,317	879,129
County School Facilities Fund – Prop 55	1,952,118	1,952,118
County School Facilities Fund – Prop 1D	334,520	334,520
Contributions from outside source – MTA	6,018	6,018
Investment in general capital assets prior to July 1, 1983*	1,734,356	1,734,356
Total Governmental Funds Capital Assets	<u>\$ 21,221,386</u>	<u>\$ 20,871,908</u>

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

See accompanying independent auditor's report.

Capital Assets Used in the Operation of Governmental Funds
Schedule of Changes in Capital Assets by Source
Year Ended June 30, 2015
(in thousands)

	<u>Sites</u>	<u>Improvement of Sites</u>
Balances, July 1, 2014	\$ 3,084,939	\$ 563,691
Restatement of Balances, July 1, 2014	—	—
Restated Balances, July 1, 2014	3,084,939	563,691
Additions:		
Capital outlay from:		
General Fund	—	—
Adult Education Fund	—	—
Cafeteria Fund	—	—
Building Fund – Bond Proceeds	—	—
Building Fund – Measure K	—	—
Building Fund – Measure R	—	—
Building Fund – Measure Y	—	—
Special Reserve Fund	—	—
Special Reserve Fund-FEMA-Earthquake	—	—
Special Reserve Fund – CRA	—	—
Capital Facilities Fund	—	—
County School Facilities Fund – Prop 47	—	—
Completed Projects	10,100	26,582
Sub-totals	10,100	26,582
Deductions:		
Vehicle disposal	—	—
Return to salvage	—	—
Others ⁽¹⁾	—	9
Total Deductions	—	9
Net Increase	10,100	26,573
Balances, June 30, 2015	<u>\$ 3,095,039</u>	<u>\$ 590,264</u>

⁽¹⁾ In the current fiscal year, the District retired the Integrated Student Information System in the amount of \$157.5 million. This student attendance accounting system was replaced by a new system called MiSiS (My Integrated Student Information System).

See accompanying independent auditor's report.

Building and Improvements	Equipment	Construction in Progress	Total
\$ 14,530,648	\$ 1,723,511	\$ 689,587	\$ 20,592,376
167,572	111,714	246	279,532
14,698,220	1,835,225	689,833	20,871,908
—	6,719	8,907	15,626
—	92	128	220
—	2,376	—	2,376
—	—	1,108	1,108
—	—	22,705	22,705
—	—	108,573	108,573
—	—	291,894	291,894
—	3,088	4,260	7,348
—	—	407	407
—	—	4	4
—	—	29,268	29,268
—	—	54,188	54,188
413,755	200,635	(651,072)	—
413,755	212,910	(129,630)	533,717
—	5,950	—	5,950
—	20,613	—	20,613
75	157,592	—	157,676
75	184,155	—	184,239
413,680	28,755	(129,630)	349,478
\$ 15,111,900	\$ 1,863,980	\$ 560,203	\$ 21,221,386

LOS ANGELES UNIFIED SCHOOL DISTRICT
Long-Term Obligations
Schedule of Changes in Long-Term Obligations
Year Ended June 30, 2015
(in thousands)

	General Obligation Bonds	Certificates of Participation	Capital Leases	Children Centers Facilities Revolving Loan	Liability for Compensated Absences
Balances, July 1, 2014	\$ 11,011,840	\$ 383,237	\$ 2,162	\$ 555	\$ 61,660
Restatement of Balances, July 1, 2014	—	—	—	—	—
Restated Balances, July 1, 2014	<u>11,011,840</u>	<u>383,237</u>	<u>2,162</u>	<u>555</u>	<u>61,660</u>
Additions:					
Debt issuance	461,875	—	637	—	—
Premium on debt issue	69,121	—	—	—	—
Discount amortization	(13,420)	(222)	—	—	—
Vacation earned	—	—	—	—	68,846
Retirement bonus	—	—	—	—	—
Self-insurance claims	—	—	—	—	—
Annual required contribution	—	—	—	—	—
Total Additions	<u>517,576</u>	<u>(222)</u>	<u>637</u>	<u>—</u>	<u>68,846</u>
Deductions:					
Principal repayments	710,345	69,917	868	79	—
Premium amortization	111,186	5,177	—	—	—
Vacation used	—	—	—	—	65,189
Retirement bonus paid	—	—	—	—	—
Self-insurance claims paid	—	—	—	—	—
OPEB contributions	—	—	—	—	—
Total Deductions	<u>821,531</u>	<u>75,094</u>	<u>868</u>	<u>79</u>	<u>65,189</u>
Balances, June 30, 2015	<u>\$ 10,707,885</u>	<u>\$ 307,921</u>	<u>\$ 1,931</u>	<u>\$ 476</u>	<u>\$ 65,317</u>

See accompanying independent auditor's report.

Liability for Other Employee Benefits	Self-Insurance Claims	Net Pension Liability	Other Postemployment Benefits (OPEB)	Total
\$ 68,008	\$ 640,178	\$ —	\$ 5,351,835	\$ 17,519,475
—	—	5,382,206	—	5,382,206
68,008	640,178	5,382,206	5,351,835	22,901,681
—	—	—	—	462,512
—	—	—	—	69,121
—	—	—	—	(13,642)
—	—	—	—	68,846
91	—	—	—	91
—	460,435	—	—	460,435
—	—	312,488	929,864	1,242,352
91	460,435	312,488	929,864	2,289,715
—	—	—	—	781,209
—	—	—	—	116,363
—	—	—	—	65,189
7,018	—	—	—	7,018
—	379,903	—	—	379,903
—	—	1,209,082	310,681	1,519,763
7,018	379,903	1,209,082	310,681	2,869,445
\$ 61,081	\$ 720,710	\$ 4,485,612	\$ 5,971,018	\$ 22,321,951

LOS ANGELES UNIFIED SCHOOL DISTRICT
Long-Term Obligations
Schedule of Certificates of Participation
Year Ended June 30, 2015
(in thousands)

Date of Issue	Interest Rate	Maturity Date	Balance Original Issue	Outstanding* July 1, 2014	Issued* This Year	Redeemed** Current Year	Amortization of Premium/ Discount	Outstanding* June 30, 2015
2004A Certificates of Participation (Refinancing Project I):								
07/28/04	4.000%	10/01/14	\$ 2,340	\$ 2,340	\$ —	\$ 2,340	\$ —	\$ —
2004A Certificates of Participation			2,340	2,340	—	2,340	—	—
2005 Certificates of Participation (2004-05 Qualified Zone Academy Bonds Project):								
12/13/05	—%	12/13/20	\$ 10,000	\$ 10,000	\$ —	\$ —	\$ —	\$ 10,000
2005 Certificates of Participation			\$ 10,000	\$ 10,000	\$ —	\$ —	\$ —	\$ 10,000
2007A Certificates of Participation (Information Technology Projects):								
11/15/07	5.000%	10/01/14	\$ 10,495	\$ 10,939	\$ —	\$ 10,495	\$ 444	\$ —
11/15/07	5.000	10/01/15	11,015	11,335	—	3,564	298	7,473
11/15/07	5.000	10/01/16	11,570	11,755	—	3,744	78	7,933
11/15/07	5.000	10/01/17	12,145	12,183	—	3,930	(142)	8,395
2007A Certificates of Participation			\$ 45,225	\$ 46,212	\$ —	\$ 21,733	\$ 678	\$ 23,801
2009A Certificates of Participation (Food Services Project):								
09/29/09	3.920%	10/01/14	\$ 2,005	\$ 2,005	\$ —	\$ 2,005	\$ —	\$ —
09/29/09	3.920	04/01/15	2,044	2,044	—	2,044	—	—
09/29/09	3.920	10/01/15	2,084	2,084	—	2,084	—	—
09/29/09	3.920	04/01/16	2,125	2,125	—	2,125	—	—
09/29/09	3.920	10/01/16	2,167	2,167	—	2,167	—	—
09/29/09	3.920	04/01/17	2,209	2,209	—	2,209	—	—
09/29/09	3.920	10/01/17	2,252	2,252	—	2,252	—	—
09/29/09	3.920	04/01/18	2,296	2,296	—	2,296	—	—
09/29/09	3.920	10/01/18	2,341	2,341	—	2,341	—	—
09/29/09	3.920	04/01/19	2,387	2,387	—	2,387	—	—
09/29/09	3.920	10/01/19	2,434	2,434	—	2,434	—	—
2009A Certificates of Participation			\$ 24,344	\$ 24,344	\$ —	\$ 24,344	\$ —	\$ —
2010A Refunding Certificates of Participation (Multiple Properties Project):								
01/27/10	3.000%	12/01/14	\$ 1,385	\$ 1,933	\$ —	\$ 1,385	\$ 548	\$ —
01/27/10	4.000	12/01/14	6,410	6,410	—	6,410	—	—
01/27/10	3.250	12/01/15	300	762	—	—	462	300
01/27/10	5.000	12/01/15	7,845	7,845	—	—	(60)	7,905
01/27/10	4.000	12/01/16	1,125	1,459	—	—	329	1,130
01/27/10	5.000	12/01/16	7,430	7,430	—	—	(137)	7,567
01/27/10	4.000	12/01/17	1,215	1,332	—	—	117	1,215
01/27/10	5.000	12/01/17	15,265	15,265	—	—	(348)	15,613
2010A Refunding Certificates of Participation			\$ 40,975	\$ 42,436	\$ —	\$ 7,795	\$ 911	\$ 33,730

* Includes Premium and Discount

** Principal Payment

(Continued)

LOS ANGELES UNIFIED SCHOOL DISTRICT
Long-Term Obligations
Schedule of Certificates of Participation (Continued)
Year Ended June 30, 2015
(in thousands)

Date of Issue	Interest Rate	Maturity Date	Balance Original Issue	Outstanding* July 1, 2014	Issued* This Year	Redeemed** Current Year	Amortization of Premium/ Discount	Outstanding* June 30, 2015
2010B-1 Certificates of Participation (Capital Projects I):								
12/21/10	7.663%	12/01/21	\$ 965	\$ 760	\$ —	\$ —	\$ (205)	\$ 965
12/21/10	7.663	12/01/22	1,030	1,004	—	—	(26)	1,030
12/21/10	8.163	12/01/23	1,080	1,057	—	—	(23)	1,080
12/21/10	8.163	12/01/24	1,140	1,117	—	—	(23)	1,140
12/21/10	8.163	12/01/25	1,200	1,178	—	—	(22)	1,200
12/21/10	8.000	12/01/26	540	519	—	—	3	516
12/21/10	8.250	12/01/26	610	610	—	—	14	596
12/21/10	8.525	12/01/26	115	115	—	—	—	115
12/21/10	8.000	12/01/27	570	550	—	—	6	544
12/21/10	8.250	12/01/27	640	640	—	—	15	625
12/21/10	8.525	12/01/27	125	125	—	—	—	125
12/21/10	8.000	12/01/28	605	586	—	—	9	577
12/21/10	8.250	12/01/28	670	670	—	—	17	653
12/21/10	8.525	12/01/28	130	130	—	—	—	130
12/21/10	8.000	12/01/29	640	622	—	—	13	609
12/21/10	8.250	12/01/29	705	705	—	—	18	687
12/21/10	8.525	12/01/29	135	135	—	—	—	135
12/21/10	8.000	12/01/30	675	659	—	—	17	642
12/21/10	8.250	12/01/30	740	740	—	—	19	721
12/21/10	8.525	12/01/30	145	145	—	—	—	145
12/21/10	8.000	12/01/31	710	696	—	—	21	675
12/21/10	8.250	12/01/31	785	785	—	—	20	765
12/21/10	8.525	12/01/31	150	150	—	—	—	150
12/21/10	8.000	12/01/32	750	738	—	—	25	713
12/21/10	8.250	12/01/32	825	825	—	—	21	804
12/21/10	8.525	12/01/32	160	160	—	—	—	160
12/21/10	8.000	12/01/33	790	781	—	—	30	751
12/21/10	8.250	12/01/33	865	865	—	—	23	842
12/21/10	8.525	12/01/33	170	170	—	—	—	170
12/21/10	8.000	12/01/34	835	830	—	—	37	793
12/21/10	8.250	12/01/34	910	910	—	—	24	886
12/21/10	8.525	12/01/34	180	180	—	—	—	180
12/21/10	8.000	12/01/35	885	883	—	—	43	840
12/21/10	8.250	12/01/35	950	950	—	—	25	925
12/21/10	8.525	12/01/35	190	190	—	—	—	190
2010B-1 Certificates of Participation			\$ 21,615	\$ 21,180	\$ —	\$ —	\$ 101	\$ 21,079
2010B-2 Certificates of Participation (Capital Projects I):								
12/21/10	4.000%	12/01/14	\$ 150	\$ 519	\$ —	\$ 150	\$ 369	\$ —
12/21/10	5.000	12/01/14	5,835	5,835	—	5,835	—	—
12/21/10	5.000	12/01/15	6,280	6,612	—	—	291	6,321
12/21/10	5.000	12/01/16	6,075	6,367	—	—	188	6,179
12/21/10	4.000	12/01/17	2,585	2,851	—	—	277	2,574
12/21/10	5.000	12/01/17	3,800	3,800	—	—	(70)	3,870
12/21/10	5.500	12/01/18	6,675	6,886	—	—	8	6,878
12/21/10	5.500	12/01/19	7,040	7,166	—	—	(59)	7,225
12/21/10	5.000	12/01/20	3,830	3,867	—	—	55	3,812
12/21/10	5.750	12/01/20	3,600	3,600	—	—	(109)	3,709
2010B-2 Certificates of Participation			\$ 45,870	\$ 47,503	\$ —	\$ 5,985	\$ 950	\$ 40,568

* Includes Premium and Discount

** Principal Payment

(Continued)

LOS ANGELES UNIFIED SCHOOL DISTRICT
Long-Term Obligations
Schedule of Certificates of Participation (Continued)
Year Ended June 30, 2015
(in thousands)

Date of Issue	Interest Rate	Maturity Date	Balance Original Issue	Outstanding* July 1, 2014	Issued* This Year	Redeemed** Current Year	Amortization of Premium/ Discount	Outstanding* June 30, 2015
2012A Refunding Certificates of Participation (Headquarters Building Projects):								
06/12/12	4.000%	10/01/14	\$ 6,095	\$ 7,282	\$ —	\$ 6,095	\$ 1,187	\$ —
06/12/12	4.000	10/01/15	6,270	7,425	—	—	1,113	6,312
06/12/12	5.000	10/01/16	6,460	7,532	—	—	801	6,731
06/12/12	5.000	10/01/17	6,705	7,670	—	—	516	7,154
06/12/12	5.000	10/01/18	6,965	7,815	—	—	251	7,564
06/12/12	5.000	10/01/19	7,240	7,966	—	—	1	7,965
06/12/12	5.000	10/01/20	7,525	8,117	—	—	(215)	8,332
06/12/12	5.000	10/01/21	7,820	8,268	—	—	(432)	8,700
06/12/12	5.000	10/01/22	8,130	8,423	—	—	(647)	9,070
06/12/12	5.000	10/01/23	7,795	7,933	—	—	(682)	8,615
06/12/12	4.250	10/01/24	1,255	1,344	—	—	38	1,306
06/12/12	4.250	10/01/25	1,095	1,171	—	—	43	1,128
06/12/12	3.750	10/01/26	1,125	1,193	—	—	90	1,103
06/12/12	4.000	10/01/27	1,160	1,218	—	—	65	1,153
06/12/12	4.000	10/01/28	1,190	1,237	—	—	61	1,176
06/12/12	4.125	10/01/29	1,230	1,265	—	—	45	1,220
06/12/12	4.125	10/01/30	1,270	1,290	—	—	35	1,255
06/12/12	4.250	10/01/31	1,305	1,309	—	—	15	1,294
2012A Refunding Certificates of Participation			\$ 80,635	\$ 88,458	\$ —	\$ 6,095	\$ 2,285	\$ 80,078
2012B Refunding Certificates of Participation (Headquarters Building Projects):								
06/12/12	3.000%	10/01/14	\$ 305	\$ 604	\$ —	\$ 305	\$ 299	\$ —
06/12/12	3.000	10/01/15	315	630	—	—	314	316
06/12/12	3.000	10/01/16	325	657	—	—	326	331
06/12/12	4.000	10/01/17	335	682	—	—	332	350
06/12/12	2.125	10/01/18	345	712	—	—	368	344
06/12/12	2.375	10/01/19	355	744	—	—	391	353
06/12/12	2.625	10/01/20	360	771	—	—	414	357
06/12/12	3.000	10/01/21	375	808	—	—	434	374
06/12/12	3.125	10/01/22	385	841	—	—	458	383
06/12/12	3.250	10/01/23	400	878	—	—	483	395
06/12/12	5.000	10/01/24	6,750	7,206	—	—	(213)	7,419
06/12/12	5.000	10/01/25	7,525	7,937	—	—	(286)	8,223
06/12/12	5.000	10/01/26	7,905	8,267	—	—	(323)	8,590
06/12/12	5.000	10/01/27	8,300	8,606	—	—	(370)	8,976
06/12/12	5.000	10/01/28	8,715	8,960	—	—	(422)	9,382
06/12/12	5.000	10/01/29	9,155	9,332	—	—	(492)	9,824
06/12/12	5.000	10/01/30	9,605	9,708	—	—	(577)	10,285
06/12/12	5.000	10/01/31	10,090	10,111	—	—	(662)	10,773
2012B Refunding Certificates of Participation			\$ 71,545	\$ 77,454	\$ —	\$ 305	\$ 474	\$ 76,675

* Includes Premium and Discount

** Principal Payment

(Continued)

LOS ANGELES UNIFIED SCHOOL DISTRICT
Long-Term Obligations
Schedule of Certificates of Participation (Continued)
Year Ended June 30, 2015
(in thousands)

Date of Issue	Interest Rate	Maturity Date	Balance Original Issue	Outstanding* July 1, 2014	Issued* This Year	Redeemed** Current Year	Amortization of Premium/ Discount	Outstanding* June 30, 2015
2013A Refunding Certificates of Participation (Refunding Lease):								
06/24/13	2.290%	08/01/14	\$ 1,320	\$ 1,320	\$ —	\$ 1,320	\$ —	\$ —
06/24/13	2.290	08/01/15	1,350	1,350	—	—	—	1,350
06/24/13	2.290	08/01/16	1,380	1,380	—	—	—	1,380
06/24/13	2.290	08/01/17	1,415	1,415	—	—	—	1,415
06/24/13	2.290	08/01/18	1,445	1,445	—	—	—	1,445
06/24/13	2.290	08/01/19	1,480	1,480	—	—	—	1,480
06/24/13	2.290	08/01/20	1,515	1,515	—	—	—	1,515
06/24/13	2.290	08/01/21	1,545	1,545	—	—	—	1,545
06/24/13	2.290	08/01/22	1,580	1,580	—	—	—	1,580
06/24/13	2.290	08/01/23	1,620	1,620	—	—	—	1,620
06/24/13	2.290	08/01/24	1,655	1,655	—	—	—	1,655
06/24/13	2.290	08/01/25	1,690	1,690	—	—	—	1,690
06/24/13	2.290	08/01/26	1,730	1,730	—	—	—	1,730
06/24/13	2.290	08/01/27	1,775	1,775	—	—	—	1,775
06/24/13	2.290	08/01/28	1,810	1,810	—	—	—	1,810
2013A Refunding Certificates of Participation			\$ 23,310	\$ 23,310	\$ —	\$ 1,320	\$ —	\$ 21,990
Grand Total			\$ 365,859	\$ 383,237	\$ —	\$ 69,917	\$ 5,399	\$ 307,921

* Includes Premium and Discount

** Principal Payment

See accompanying independent auditors' report.



STATISTICAL SECTION

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

Contents

Financial trends

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

Revenue capacity

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

Debt capacity

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

Demographic and economic information

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

Operating information

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

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

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

	<u>2005-2006</u>	<u>2006-2007</u>	<u>2007-2008</u>
Assets:			
Cash and cash equivalents	\$ 3,151,386	\$ 3,487,080	\$ 4,112,750
Investments	819,660	923,425	825,398
Property taxes receivable	41,360	46,689	67,899
Accounts receivable, net	817,504	786,845	854,789
Accrued interest receivable	47,476	70,901	44,461
Prepays	21,257	15,597	16,101
Unamortized issuance costs	17,398	32,730	37,349
Inventories	15,268	15,823	18,920
Accounts receivable, non current	—	—	—
Other assets	—	—	—
Capital assets:			
Sites	2,105,429	2,373,208	2,700,727
Improvement of sites	386,968	430,979	468,039
Buildings and improvements	4,298,752	5,803,185	6,722,084
Equipment	1,124,779	1,145,089	1,143,953
Construction in progress	2,545,892	2,180,218	2,547,219
Less accumulated depreciation	<u>(2,664,067)</u>	<u>(2,847,681)</u>	<u>(3,064,058)</u>
Total Capital Assets, Net of Depreciation	<u>7,797,753</u>	<u>9,084,998</u>	<u>10,517,964</u>
Total Assets	<u>12,729,062</u>	<u>14,464,088</u>	<u>16,495,631</u>
Deferred Outflows of Resources	<u>—</u>	<u>—</u>	<u>—</u>
Liabilities:			
Vouchers and accounts payable	395,174	374,553	534,898
Contracts payable	125,522	155,901	129,704
Accrued payroll	246,401	586,384	397,407
Accrued interest	—	—	—
Other payables	163,066	6,099	126,880
Unearned revenue	138,135	60,986	103,611
Tax and revenue anticipation notes and related interest payable	429,382	360,998	615,599
Long-term liabilities:			
Portion due within one year	329,152	373,698	529,970
Portion due after one year	6,724,029	7,341,060	9,075,723
Net Pension Liability	<u>—</u>	<u>—</u>	<u>—</u>
Total Liabilities	<u>8,550,861</u>	<u>9,259,679</u>	<u>11,513,792</u>
Deferred Inflows of Resources	<u>—</u>	<u>—</u>	<u>—</u>
Net Position:			
Net investment in capital assets	2,866,293	3,267,458	3,694,054
Restricted	1,089,165	1,540,422	1,893,302
Unrestricted	<u>222,743</u>	<u>396,529</u>	<u>(605,517)</u>
Total Governmental Activities			
Total Net Position	<u>\$ 4,178,201</u>	<u>\$ 5,204,409</u>	<u>\$ 4,981,839</u>

See accompanying independent auditor's report.

2008-2009	2009-2010	2010-2011	2011-2012	2012-2013	2013-2014 (As Restated)	2014-2015
\$ 3,559,297	\$ 6,231,489	\$ 5,905,632	\$ 4,453,774	\$ 4,565,223	\$ 4,130,489	\$ 4,441,746
592,741	785,256	22,835	561,917	659,445	—	—
80,453	86,802	92,125	106,219	60,052	66,912	76,198
1,097,781	928,327	1,212,902	1,584,436	908,380	914,608	395,248
21,031	24,247	20,300	8,236	6,290	13,904	11,912
13,354	12,866	12,478	12,091	42,668	46,188	46,262
40,479	66,845	12,459	61,306	—	—	—
14,861	13,163	63,653	21,583	25,958	23,635	23,670
—	—	—	—	32,046	28,487	24,928
—	—	—	—	—	5,453	5,885
2,969,404	3,069,920	3,136,630	3,144,097	3,180,152	3,084,939	3,095,039
507,963	523,083	528,607	550,288	559,575	563,691	590,264
8,243,000	8,992,789	10,069,170	12,635,362	14,091,455	14,698,220	15,111,900
1,156,042	1,169,506	1,228,062	1,583,212	1,622,452	1,835,225	1,863,980
2,815,518	3,579,899	3,571,703	1,567,489	575,310	689,833	560,203
(3,361,521)	(3,599,858)	(3,906,924)	(4,882,822)	(5,360,254)	(6,069,205)	(6,463,341)
12,330,406	13,735,339	14,627,248	14,597,626	14,668,690	14,802,703	14,758,045
17,750,403	21,884,334	21,969,632	21,407,188	20,968,752	20,032,379	19,783,894
—	—	—	—	106,970	174,224	529,263
489,547	439,134	488,599	393,208	124,980	240,251	241,625
121,150	92,473	30,249	64,787	42,320	42,160	33,215
243,458	207,437	205,323	191,418	199,014	272,221	231,916
171,868	254,828	297,901	289,821	282,375	232,921	254,934
117,802	74,677	155,502	99,991	177,644	104,668	153,796
212,159	65,418	123,393	15,717	12,796	8,505	14,789
514,343	764,355	—	561,782	793,694	—	—
478,203	485,669	526,853	509,065	644,448	689,909	805,807
10,670,116	15,266,398	15,668,785	16,121,160	16,507,556	22,211,772	17,030,532
—	—	—	—	—	—	4,485,612
13,018,646	17,650,389	17,496,605	18,246,949	18,784,827	23,802,407	23,252,226
—	—	—	—	—	—	1,229,928
4,584,300	4,910,954	5,450,860	5,059,121	4,863,878	4,724,631	4,582,066
1,639,962	1,282,553	1,495,022	1,312,920	1,355,252	1,538,688	1,479,837
(1,492,505)	(1,959,562)	(2,472,855)	(3,211,802)	(4,035,205)	(9,859,123)	(10,230,900)
\$ 4,731,757	\$ 4,233,945	\$ 4,473,027	\$ 3,160,239	\$ 2,183,925	\$ (3,595,804)	\$ (4,168,997)

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

	2005-2006	2006-2007	2007-2008
Expenses:			
Governmental activities:			
Instruction	\$ 4,032,673	\$ 4,142,927	\$ 4,416,790
Support services – students	298,911	310,786	366,514
Support services – instructional staff	650,551	589,566	731,016
Support services – general administration	46,913	56,323	51,873
Support services – school administration	466,862	477,168	502,506
Support services – business	106,523	123,791	136,540
Operation and maintenance of plant services	599,899	638,201	727,090
Student transportation services	161,395	168,121	173,167
Data processing services	115,311	114,630	108,451
Operation of noninstructional services	282,992	288,736	324,348
Facilities acquisition and construction services	135,827	92,799	89,029
Other uses	799	418	882
Interest expense	285,051	278,053	350,420
Interagency disbursements	33,678	39,371	—
Depreciation – unallocated	130,561	180,328	217,052
Unfunded OPEB expense – unallocated	—	—	832,665
Total Governmental Activities	7,347,946	7,501,218	9,028,343
Program Revenues:			
Charges for services			
Instruction	2,968	3,357	5,482
Support services – instructional staff	290	184	251
Support services – business	5,769	10,592	8,337
Operation and maintenance of plant services	4,154	4,496	5,206
Operation of noninstructional services	21,024	18,886	16,979
Facilities acquisition and construction services	85,122	95,222	65,426
Total Charges for Services	119,327	132,737	101,681
Operating grants and contributions:			
Instruction	1,473,164	1,707,841	1,662,599
Support services – students	178,438	205,621	223,250
Support services – instructional staff	526,379	472,633	532,258
Support services – general administration	23	1	87
Support services – school administration	143,761	145,581	139,550
Support services – business	99,041	85,947	72,513
Operation and maintenance of plant services	131,411	150,877	151,932
Student transportation services	170,604	163,325	170,100
Data processing services	7,404	10,135	7,326
Operation of noninstructional services	236,391	236,113	249,817
Facilities acquisition and construction services	5,220	893	14,609
Other uses	—	—	—
Interest expense	—	—	559
Total Operating Grants and Contributions	2,971,836	3,178,967	3,224,600
Capital grants and contributions:			
Operation and maintenance of plant services	7,719	137,763	11,216
Facilities acquisition and construction services	366,473	298,645	653,191
Interest expense	—	—	—
Total Capital Grants and Contributions	374,192	436,408	664,407
Total Program Revenues	3,465,355	3,748,112	3,990,688
Net Expenses	(3,882,591)	(3,753,106)	(5,037,655)
General Revenues:			
Taxes:			
Property taxes, levied for general purpose:	644,637	811,282	806,413
Property taxes, levied for debt service	331,097	444,951	539,735
Property taxes, levied for community redevelopment	1,713	4,479	5,775
State aid not restricted to specific purpose	2,781,133	2,901,720	2,817,720
Grants, entitlements and contributions not restricted to specific programs	441,396	531,067	505,638
Unrestricted investment earnings	138,346	149,311	156,817
Miscellaneous	6,386	12,456	85,547
Total General Revenues	4,344,708	4,855,266	4,917,645
Change in Net Position	\$ 462,117	\$ 1,102,160	\$ (120,010)

See accompanying independent auditor's report.

					2013-2014	
2008-2009	2009-2010	2010-2011	2011-2012	2012-2013	(As Restated)	2014-2015
\$ 4,291,864	\$ 3,900,813	\$ 3,986,263	\$ 3,773,915	\$ 3,604,189	\$ 6,855,879	\$ 3,993,707
359,087	317,859	320,787	316,132	306,293	540,235	339,295
623,621	428,734	432,202	403,779	363,839	721,115	507,045
60,395	43,561	43,448	43,047	80,969	62,256	41,981
518,838	466,481	426,288	395,728	382,251	726,872	389,493
134,008	204,002	145,401	173,489	298,548	299,807	238,015
758,813	660,647	581,731	568,113	535,754	1,067,285	572,960
168,837	155,813	151,286	158,177	152,485	286,072	166,628
98,013	68,949	54,205	83,517	66,306	118,748	22,092
370,016	403,956	404,211	430,061	451,192	807,674	483,043
119,137	115,474	175,584	111,858	214,972	138,533	199,654
240	615	181	1,203	1,240	6,327	6,502
551,163	495,266	623,044	578,279	571,076	536,864	442,977
—	—	—	—	—	—	—
302,298	245,712	315,745	406,910	442,802	494,457	522,238
821,261	739,885	781,931	819,296	792,805	563,992	619,183
9,177,591	8,247,767	8,442,307	8,263,504	8,264,721	13,226,116	8,544,813
6,497	6,440	20,741	19,819	17,063	24,933	25,484
183	211	156	117	91	96	92
8,694	18,002	7,814	9,198	10,110	7,602	7,599
6,999	13,496	16,378	21,657	23,036	22,617	29,075
15,777	12,229	9,727	7,511	6,730	6,067	7,406
24,259	18,747	33,810	41,206	47,233	59,057	77,808
62,409	69,125	88,626	99,508	104,263	120,372	147,464
1,538,356	1,705,758	1,815,305	1,339,908	1,148,684	813,619	976,732
243,391	240,346	234,844	264,016	261,735	116,343	148,045
641,554	348,196	353,459	344,793	324,794	263,904	215,431
133	852	9,141	3,893	1,888	309	234
131,204	143,125	132,805	120,610	62,682	31,688	36,593
121,542	70,894	46,629	94,492	49,105	47,016	70,148
162,386	168,318	135,826	113,407	35,484	20,395	10,514
156,509	154,069	157,528	264,619	265,013	1,250	30,704
10,986	3,369	8,753	4,886	—	—	9
269,543	342,381	369,578	337,493	382,678	406,871	406,971
1,287	375	5,692	127,188	36,166	59,275	62,456
—	—	—	—	—	—	—
1,591	—	—	895	800	786	795
3,278,482	3,177,683	3,269,560	3,016,200	2,569,029	1,761,456	1,958,632
48,382	4,293	2,354	187	42	6	2
876,570	295,879	777,990	94,996	166,155	129,700	20,556
—	—	—	—	—	—	62,245
924,952	300,172	780,344	95,183	166,197	129,706	82,803
4,265,843	3,546,980	4,138,530	3,210,891	2,839,489	2,011,534	2,188,899
(4,911,748)	(4,700,787)	(4,303,777)	(5,052,613)	(5,425,232)	(11,214,582)	(6,355,914)
927,441	938,189	909,484	901,213	1,139,313	1,017,071	1,100,523
598,980	740,719	935,428	850,359	965,955	839,521	808,603
1,295	6,054	5,320	9,789	13,841	19,306	23,230
2,517,499	2,039,028	2,146,870	2,066,980	1,774,431	3,391,144	3,699,731
453,643	393,192	402,110	434,512	553,115	131,827	134,317
74,859	58,323	66,795	21,175	20,727	16,605	8,501
87,949	27,470	76,852	41,342	(18,464)	19,379	7,816
4,661,666	4,202,975	4,542,859	4,325,370	4,448,918	5,434,853	5,782,721
\$ (250,082)	\$ (497,812)	\$ 239,082	\$ (727,243)	\$ (976,314)	\$ (5,779,729)	\$ (573,193)

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

	<u>2005-2006</u>	<u>2006-2007</u>	<u>2007-2008</u>	<u>2008-2009</u>
Property Taxes, Levied for:				
General purposes	\$ 644,637	\$ 811,282	\$ 806,413	\$ 927,441
Debt service	331,097	444,951	539,735	598,980
Community redevelopment	1,713	4,479	5,775	1,295
Total	<u>\$ 977,447</u>	<u>\$ 1,260,712</u>	<u>\$ 1,351,923</u>	<u>\$ 1,527,716</u>

See accompanying independent auditor's report.

<u>2009-2010</u>	<u>2010-2011</u>	<u>2011-2012</u>	<u>2012-2013</u>	<u>2013-2014</u>	<u>2014-2015</u>
\$ 938,189	\$ 909,484	\$ 901,213	\$ 1,139,313	\$ 1,017,071	\$ 1,100,523
740,719	935,428	850,359	965,955	839,521	808,603
6,054	5,320	9,789	13,841	19,306	23,230
<u>\$ 1,684,962</u>	<u>\$ 1,850,232</u>	<u>\$ 1,761,361</u>	<u>\$ 2,119,109</u>	<u>\$ 1,875,898</u>	<u>\$ 1,932,356</u>

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

	<u>2005-2006</u>	<u>2006-2007</u>	<u>2007-2008</u>	<u>2008-2009</u>
General Fund:				
Nonspendable	\$ —	\$ —	\$ —	\$ —
Restricted	—	—	—	—
Assigned	—	—	—	—
Unassigned	—	—	—	—
Reserved	144,673	333,103	403,518	565,333
Unreserved	<u>289,839</u>	<u>362,132</u>	<u>253,718</u>	<u>184,629</u>
Total General Fund	<u>\$ 434,512</u>	<u>\$ 695,235</u>	<u>\$ 657,236</u>	<u>\$ 749,962</u>
District Bonds:				
Nonspendable	\$ —	\$ —	\$ —	\$ —
Restricted	—	—	—	—
Reserved	3,300	3,300	3,800	3,800
Unreserved	<u>1,096,859</u>	<u>949,738</u>	<u>957,677</u>	<u>729,284</u>
Total District Bonds	<u>\$ 1,100,159</u>	<u>\$ 953,038</u>	<u>\$ 961,477</u>	<u>\$ 733,084</u>
County School Facilities Bonds:				
Nonspendable	\$ —	\$ —	\$ —	\$ —
Restricted	—	—	—	—
Unreserved	<u>344,922</u>	<u>435,541</u>	<u>532,895</u>	<u>534,745</u>
Total County School Facilities Bonds	<u>\$ 344,922</u>	<u>\$ 435,541</u>	<u>\$ 532,895</u>	<u>\$ 534,745</u>
Bond Interest and Redemption Fund				
Restricted	\$ —	\$ —	\$ —	\$ —
Reserved	282,984	360,140	—	—
Unreserved	<u>—</u>	<u>—</u>	<u>447,880</u>	<u>489,381</u>
Total Debt Service	<u>\$ 282,984</u>	<u>\$ 360,140</u>	<u>\$ 447,880</u>	<u>\$ 489,381</u>
All Other Governmental Funds:				
Nonspendable	\$ —	\$ —	\$ —	\$ —
Restricted, reported in:				
Special revenue funds	—	—	—	—
Debt service funds	—	—	—	—
Capital projects funds	—	—	—	—
Committed in:				
Special revenue funds	—	—	—	—
Assigned, reported in:				
Special revenue funds	—	—	—	—
Capital projects funds	—	—	—	—
Reserved	7,867	7,871	7,391	6,280
Unreserved, reported in:				
Special revenue funds	187,178	245,129	236,369	159,720
Debt service funds	19,498	23,135	49,213	65,372
Capital projects funds	<u>428,119</u>	<u>369,299</u>	<u>382,514</u>	<u>268,577</u>
Total All Other Governmental Funds	<u>\$ 642,662</u>	<u>\$ 645,434</u>	<u>\$ 675,487</u>	<u>\$ 499,949</u>

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

See accompanying independent auditor's report.

2009-2010	2010-2011*	2011-2012	2012-2013	2013-2014	2014-2015
\$ —	\$ 10,417	\$ 11,231	\$ 18,513	\$ 19,631	\$ 20,653
—	266,418	186,563	138,469	192,932	126,519
—	147,035	465,272	370,359	336,430	418,424
—	479,661	161,744	65,376	151,257	254,210
304,762	—	—	—	—	—
358,145	—	—	—	—	—
\$ 662,907	\$ 903,531	\$ 824,810	\$ 592,717	\$ 700,250	\$ 819,806
\$ —	\$ 3,800	\$ 3,800	\$ 3,800	\$ 5,602	\$ 3,430
—	2,816,528	2,102,830	1,725,266	1,121,750	688,095
3,800	—	—	—	—	—
3,488,803	—	—	—	—	—
\$ 3,492,603	\$ 2,820,328	\$ 2,106,630	\$ 1,729,066	\$ 1,127,352	\$ 691,525
\$ —	\$ —	\$ —	\$ —	\$ 33	\$ —
—	712,540	504,993	454,334	544,965	471,136
501,615	—	—	—	—	—
\$ 501,615	\$ 712,540	\$ 504,993	\$ 454,334	\$ 544,998	\$ 471,136
\$ —	\$ 724,608	\$ 681,562	\$ 750,540	\$ 712,646	\$ 773,407
—	—	—	—	—	—
630,810	—	—	—	—	—
\$ 630,810	\$ 724,608	\$ 681,562	\$ 750,540	\$ 712,646	\$ 773,407
\$ —	\$ 5,050	\$ 13,123	\$ 10,203	\$ 6,718	\$ 5,686
—	3,843	5,802	14,711	19,373	22,521
—	82,138	59,708	54,698	55,441	56,205
—	132,449	161,564	119,241	123,772	150,185
—	11,391	9,972	8,789	8,949	5,395
—	51	60	702	626	550
—	29,731	55,660	101,556	149,150	185,865
5,309	—	—	—	—	—
122,508	—	—	—	—	—
72,643	—	—	—	—	—
166,949	—	—	—	—	—
\$ 367,409	\$ 264,653	\$ 305,889	\$ 309,900	\$ 364,029	\$ 426,407

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

	2005-2006	2006-2007	2007-2008
Revenues:			
Local control funding formula sources	\$ 3,724,599	\$ 3,892,689	\$ 3,624,134
Federal revenues	1,150,060	1,023,992	1,016,465
Other state revenues	2,419,412	2,853,979	3,307,609
Other local revenues	637,941	835,529	925,869
Total Revenues	<u>7,932,012</u>	<u>8,606,189</u>	<u>8,874,077</u>
Expenditures:			
Current:			
Certificated salaries	3,187,441	3,362,475	3,469,214
Classified salaries	1,098,558	1,180,482	1,269,680
Employee benefits	1,418,575	1,440,468	1,464,061
Books and supplies	567,167	507,486	574,902
Services and other operating expenditures	691,388	785,742	880,455
Capital outlay	1,532,862	1,494,934	1,644,450
Debt service – principal	94,843	153,258	200,514
Debt service – bond, COPs, and capital leases interest	241,131	285,315	334,525
Debt service – refunding bond issuance cost	2,732	9,665	6,020
Other outgo	41,695	46,865	882
Total Expenditures	<u>8,876,392</u>	<u>9,266,690</u>	<u>9,844,703</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(944,380)</u>	<u>(660,501)</u>	<u>(970,626)</u>
Other Financing Sources (Uses):			
Transfers in	381,658	362,932	499,947
Transfers out	(381,658)	(366,926)	(512,061)
Issuance of bonds	1,115,712	900,000	1,000,000
Premium on bonds issued	64,283	33,649	42,258
Issuance of refunding bonds	778,673	1,889,000	—
Premium on refunding bonds issued	64,058	49,073	—
Issuance of COPs	10,000	—	105,374
Premium on COPs issued	—	—	—
Discount on issuance of COPs	—	—	—
Discount on issuance of refunding bonds	—	(1,324)	—
Payment to COPs escrow agent	—	—	—
Payment to refunded bonds escrow agent	(656,098)	(1,927,084)	—
Issuance of refunding COPs	—	—	—
Payment to refunded COPs escrow agent	(178,618)	—	—
CA Energy Commission loan	63	—	—
Insurance proceeds – fire damage	—	2,935	5,332
Capital leases	1,318	2,394	1,253
Land and building sale/lease	—	—	14,110
Children center facilities revolving fund	—	—	—
Total Other Financing Sources	<u>1,199,391</u>	<u>944,649</u>	<u>1,156,213</u>
Net Change in Fund Balances	<u>\$ 255,011</u>	<u>\$ 284,148</u>	<u>\$ 185,587</u>
Debt Service as a Percentage of Noncapital Expenditures	4.6%	5.8%	6.6%

See accompanying independent auditor's report.

2008-2009	2009-2010	2010-2011	2011-2012	2012-2013	2013-2014	2014-2015
\$ 3,444,940	\$ 2,977,215	\$ 3,056,350	\$ 2,968,193	\$ 2,913,744	\$ 4,408,214	\$ 4,800,254
1,357,169	1,289,543	1,463,899	1,179,268	1,017,226	965,830	1,061,216
3,223,201	2,566,534	2,966,361	2,222,007	2,265,455	1,028,925	1,033,650
904,663	918,438	1,198,389	1,084,248	1,140,218	1,049,367	1,098,491
<u>8,929,973</u>	<u>7,751,730</u>	<u>8,684,999</u>	<u>7,453,716</u>	<u>7,336,643</u>	<u>7,452,336</u>	<u>7,993,611</u>
3,384,912	2,929,870	2,948,806	2,799,485	2,661,784	2,657,348	2,857,529
1,236,448	1,126,477	1,058,084	1,025,679	967,573	1,003,137	1,067,487
1,440,404	1,581,239	1,508,612	1,546,789	1,509,401	1,558,637	1,773,490
441,855	395,886	495,998	392,154	354,514	384,374	467,510
872,470	867,482	826,514	729,903	918,747	705,874	778,602
2,113,952	1,677,858	1,241,249	1,021,845	571,357	589,514	533,717
302,688	289,680	303,329	339,789	359,659	358,744	368,238
363,050	410,978	582,330	592,942	584,596	567,462	507,837
—	26,604	—	1,608	—	2,087	1,308
240	615	181	1,203	1,240	6,326	6,502
<u>10,156,019</u>	<u>9,306,689</u>	<u>8,965,103</u>	<u>8,451,397</u>	<u>7,928,871</u>	<u>7,833,503</u>	<u>8,362,220</u>
<u>(1,226,046)</u>	<u>(1,554,959)</u>	<u>(280,104)</u>	<u>(997,681)</u>	<u>(592,228)</u>	<u>(381,167)</u>	<u>(368,609)</u>
575,839	539,641	604,246	874,499	581,194	155,989	304,677
(588,821)	(552,270)	(615,202)	(885,625)	(591,590)	(166,777)	(314,818)
945,774	4,082,645	—	—	—	—	135,830
—	92,908	—	—	—	—	6,302
—	149,760	—	563,805	—	1,622,200	326,045
—	—	—	77,207	—	267,876	62,819
120,950	40,728	83,345	—	—	—	—
—	3,771	3,034	16,648	—	—	—
—	—	(596)	—	—	—	—
—	—	—	—	—	—	—
—	—	—	—	—	—	(33,218)
—	(163,199)	—	(639,404)	—	(1,887,989)	(387,556)
—	69,685	—	160,190	24,780	—	—
(107,795)	(65,328)	(32,548)	(175,887)	(24,641)	—	—
—	—	—	—	—	—	—
1,439	2,057	1,987	3,221	15,154	845	758
1,196	931	1,043	930	4	1,741	637
9,610	2,371	52	321	—	—	139
—	(518)	—	—	—	—	—
<u>958,192</u>	<u>4,203,182</u>	<u>45,361</u>	<u>(4,095)</u>	<u>4,901</u>	<u>(6,115)</u>	<u>101,615</u>
<u>\$ (267,854)</u>	<u>\$ 2,648,223</u>	<u>\$ (234,743)</u>	<u>\$ (1,001,776)</u>	<u>\$ (587,327)</u>	<u>\$ (387,282)</u>	<u>\$ (266,994)</u>
8.3%	9.5%	11.5%	12.6%	12.8%	12.8%	11.2%

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

Fiscal year	Certificated Salaries	Classified Salaries	Employee Benefits	Books and Supplies	Services and Other Oper. Exp.
2005-2006	\$ 3,187,441	\$ 1,098,558	\$ 1,418,575	\$ 567,167	\$ 691,388
2006-2007	3,362,475	1,180,482	1,440,468	507,486	785,742
2007-2008	3,469,214	1,269,680	1,464,061	574,902	880,455
2008-2009	3,384,912	1,236,448	1,440,404	441,855	872,470
2009-2010	2,929,870	1,126,477	1,581,239	395,886	867,482
2010-2011	2,948,806	1,058,084	1,508,612	495,998	826,514
2011-2012	2,799,485	1,025,679	1,546,789	392,154	729,903
2012-2013	2,661,784	967,573	1,509,401	354,514	918,747
2013-2014	2,657,348	1,003,137	1,558,637	384,374	705,874
2014-2015	2,857,529	1,067,487	1,773,490	467,510	778,602

Notes:

- ⁽¹⁾ "Other Outgo" includes Tuition for Handicapped Pupils, discount on debt issuance, and payments to debt/refunded debt escrow agent. For fiscal years 2005-06 and 2006-07, Charter Schools In-lieu of Taxes was included in total expenditures under object 7280 as Other transfers out. Starting with fiscal year 2007-08, this is presented as reduction of the revenues, like it was presented prior to 2003-04.

See accompanying independent auditor's report.

Capital Outlay	Debt Service	Other Outgo ⁽¹⁾	Operating Transfers Out	Total Expenditures and Other Uses
\$ 1,532,862	\$ 338,706	\$ 876,411	\$ 381,658	\$ 10,092,766
1,494,934	448,238	1,975,273	366,926	11,562,024
1,644,450	541,059	882	512,061	10,356,764
2,113,952	665,738	108,035	588,821	10,852,635
1,677,858	727,262	229,142	552,270	10,087,486
1,241,249	885,659	33,325	615,202	9,613,449
1,021,845	934,339	816,494	885,625	10,152,313
571,357	944,255	25,881	591,590	8,545,102
589,514	928,293	1,894,315	166,777	9,888,269
533,717	877,383	427,276	314,818	9,097,812

LOS ANGELES UNIFIED SCHOOL DISTRICT
Governmental Fund Types
Expenditures and Other Uses by Goal and Function
Last Ten Fiscal Years
(in thousands)
(Unaudited)

	<u>2005-2006</u>	<u>2006-2007</u>	<u>2007-2008</u>	<u>2008-2009</u>	<u>2009-2010</u>
Instructional Goals:					
General education	\$ 4,145,863	\$ 4,270,273	\$ 4,462,660	\$ 4,124,621	\$ 3,820,056
Special education	1,252,592	1,333,134	1,395,418	1,376,082	1,428,258
Others	93,176	94,206	100,135	101,223	85,456
	<u>5,491,631</u>	<u>5,697,613</u>	<u>5,958,213</u>	<u>5,601,926</u>	<u>5,333,770</u>
Noninstructional Goals:					
Community services	27,165	30,269	24,762	28,094	17,094
Child care services	3,656	4,408	4,663	4,847	3,109
	<u>30,821</u>	<u>34,677</u>	<u>29,425</u>	<u>32,941</u>	<u>20,203</u>
Support Services	<u>1,083,003</u>	<u>1,182,086</u>	<u>1,273,056</u>	<u>1,270,702</u>	<u>1,131,009</u>
Facilities Acquisition	<u>1,635,060</u>	<u>1,581,955</u>	<u>1,734,161</u>	<u>2,234,066</u>	<u>1,789,389</u>
Food Services	<u>241,888</u>	<u>253,798</u>	<u>286,769</u>	<u>323,009</u>	<u>288,760</u>
Other Outgo:					
Debt service	517,324	2,386,554	541,059	773,533	792,590
All other outgo	1,093,039	425,341	534,081	616,458	731,765
	<u>1,610,363</u>	<u>2,811,895</u>	<u>1,075,140</u>	<u>1,389,991</u>	<u>1,524,355</u>
Total Expenditures and Other Uses	<u>\$ 10,092,766</u>	<u>\$ 11,562,024</u>	<u>\$ 10,356,764</u>	<u>\$ 10,852,635</u>	<u>\$ 10,087,486</u>

See accompanying independent auditor's report.

<u>2010-2011</u>	<u>2011-2012</u>	<u>2012-2013</u>	<u>2013-2014</u>	<u>2014-2015</u>
\$ 3,928,156	\$ 3,642,622	\$ 3,347,583	\$ 3,201,696	\$ 3,632,169
1,387,197	1,362,253	1,293,613	1,318,026	1,398,934
87,876	61,046	44,730	47,558	51,213
<u>5,403,229</u>	<u>5,065,921</u>	<u>4,685,926</u>	<u>4,567,280</u>	<u>5,082,316</u>
12,310	13,055	13,664	12,748	13,318
2,987	2,418	3,932	4,049	3,622
<u>15,297</u>	<u>15,473</u>	<u>17,596</u>	<u>16,797</u>	<u>16,940</u>
<u>988,664</u>	<u>1,007,304</u>	<u>1,208,376</u>	<u>1,230,314</u>	<u>1,291,927</u>
<u>1,362,715</u>	<u>1,098,376</u>	<u>718,990</u>	<u>712,508</u>	<u>719,433</u>
<u>288,691</u>	<u>311,558</u>	<u>334,033</u>	<u>363,880</u>	<u>367,623</u>
885,659	934,339	944,256	928,293	877,383
669,194	1,719,342	635,925	2,069,197	742,190
<u>1,554,853</u>	<u>2,653,681</u>	<u>1,580,181</u>	<u>2,997,490</u>	<u>1,619,573</u>
<u>\$ 9,613,449</u>	<u>\$ 10,152,313</u>	<u>\$ 8,545,102</u>	<u>\$ 9,888,269</u>	<u>\$ 9,097,812</u>

LOS ANGELES UNIFIED SCHOOL DISTRICT
Governmental Fund Types
Revenues by Source (SACS Report Categories)
Last Ten Fiscal Years
(in thousands)
(Unaudited)

Fiscal Year	Local Control Funding Formula Sources *	Federal	Other State	Other Local	Other Financing Sources	Total
2005-2006	\$ 3,724,599	\$ 1,150,060	\$ 2,419,412	\$ 637,941	\$ 2,415,765	\$ 10,347,777
2006-2007	3,892,689	1,023,992	2,853,979	835,529	3,239,983	11,846,172
2007-2008	3,624,134	1,016,465	3,307,609	925,869	1,668,274	10,542,351
2008-2009	3,444,940	1,357,169	3,223,201	904,663	1,654,808	10,584,781
2009-2010	2,977,215	1,289,543	2,566,534	918,438	4,983,979	12,735,709
2010-2011	3,056,350	1,463,899	2,966,361	1,198,389	693,707	9,378,706
2011-2012	2,968,193	1,179,268	2,222,007	1,084,248	1,696,821	9,150,537
2012-2013	2,913,744	1,017,226	2,265,455	1,140,218	621,132	7,957,775
2013-2014	4,408,214	965,830	1,028,925	1,049,367	2,048,651	9,500,987
2014-2015	4,800,254	1,061,216	1,033,650	1,098,491	837,207	8,830,818

*Prior to 2013-14, this was referred to as Revenue Limit Sources.

See accompanying independent auditor's report.

LOS ANGELES UNIFIED SCHOOL DISTRICT
Assessed Value of Taxable Property
Last Ten Fiscal Years
(in thousands)
(Unaudited)

Fiscal Year	Secured*	Unsecured*	Total Assessed Value	Total District Tax Rates	Increase (Decrease) Over Preceding Year Amount	Rate	Total A.D.A.**	Assessed Value per Unit of A.D.A.
2005-2006	\$ 343,302,944	\$ 20,566,535	\$ 363,869,479	1.084346	\$ 31,944,342	9.62 %	722,564	\$ 504
2006-2007	382,212,502	20,396,335	402,608,837	1.106814	38,739,358	10.65	710,770	566
2007-2008	419,052,509	21,861,881	440,914,390	1.123342	38,305,553	9.51	700,073	630
2008-2009	451,191,875	23,597,923	474,789,798	1.124782	33,875,408	7.68	693,633	684
2009-2010	451,127,882	23,849,409	474,977,291	1.151809	187,493	0.04	576,963 ^a	823
2010-2011	442,092,473	21,753,078	463,845,551	1.186954	(11,131,740)	(2.34)	565,450 ^a	820
2011-2012	447,830,204	21,265,021	469,095,225	1.168187	5,249,674	1.13	547,592 ^a	857
2012-2013	458,767,053	21,308,439	480,075,492	1.175606	10,980,267	2.34	534,345 ^a	898
2013-2014	482,043,584	21,634,336	503,677,920	1.146439	23,602,428	4.92	527,562 ^b	955
2014-2015	510,371,502	22,562,705	532,934,207	1.146881	29,256,287	5.81	515,745 ^b	1,033

* Source: Los Angeles County Auditor-Controller "Taxpayers' Guide." Taxes which constitute a lien on real property are referred to as "secured."

Almost all real property taxes are secured. Most personal property taxes are "unsecured." Some taxes on personal property may also be secured to the real property of the assessee, upon request and subject to certain conditions.

** Source: A.D.A. – Average Daily Attendance, Annual Report

^a Adult and Summer School programs were not collected due to changes made by Education Code Section 42605. Districts were not required to operate the program or follow program requirements. Revenue for these years were based on the same relative proportion that the District received for these programs in fiscal year 2007-08.

^b Starting 2013-14, Local Control Funding Formula (LCFF) replaced the previous K-12 finance system with a new funding formula which is composed of uniform base grants by grade span (K-3, 4-6, 7-8, 9-12).

See accompanying independent auditor's report.

LOS ANGELES UNIFIED SCHOOL DISTRICT
Property Tax Rates – All Direct and Overlapping Governments
(Per \$100 of assessed value)
Last Ten Fiscal Years
(Unaudited)

Fiscal Year	Unified General	Unified Bonds	Total Schools Tax	State-Wide for All Agencies	Total District Tax
2005-2006	0.000107	0.084239	0.084346	1.000000	1.084346
2006-2007	0.000079	0.106735	0.106814	1.000000	1.106814
2007-2008	0.000040	0.123302	0.123342	1.000000	1.123342
2008-2009	0.000058	0.124724	0.124782	1.000000	1.124782
2009-2010	—	0.151809	0.151809	1.000000	1.151809
2010-2011	—	0.186954	0.186954	1.000000	1.186954
2011-2012	—	0.168187	0.168187	1.000000	1.168187
2012-2013	—	0.175606	0.175606	1.000000	1.175606
2013-2014	—	0.146439	0.146439	1.000000	1.146439
2014-2015	—	0.146881	0.146881	1.000000	1.146881

Source: 2014-15 Los Angeles County Auditor-Controller “Taxpayers’ Guide.”

See accompanying independent auditor's report.

Metropolitan Water District	Los Angeles County General	City of Los Angeles District No.1	County Flood Control District
0.005200	0.000795	0.051289	0.000049
0.004700	0.000663	0.045354	0.000052
0.004500	—	0.038051	—
0.004300	—	0.038541	—
0.004300	—	0.041220	—
0.003700	—	0.038895	—
0.003700	—	0.038666	—
0.003500	—	0.037694	—
0.003500	—	0.029754	—
0.003500	—	0.028096	—

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

2015				2006			
Rank	Property Owner	Assessed Valuation	% of Total ⁽¹⁾	Property Owner	Assessed Valuation	% of Total ⁽²⁾	
1	Douglas Emmett LLC	\$ 2,480,014	0.49%	Douglas Emmett Realty Funds	\$ 1,965,326	0.57%	
2	Universal Studios LLC	1,917,592	0.38	Universal Studios LLC	1,220,329	0.36	
3	Anheuser Busch Inc.	850,273	0.17	Arden Realty LP	925,145	0.27	
4	Donald T. Sterling	736,409	0.14	Anheuser Busch, Inc.	784,954	0.23	
5	BRE Properties Inc.	615,459	0.12	Warner Bros. Entertainment Inc.	552,579	0.16	
6	One Hundred Towers LLC	608,019	0.12	Maguire Partners, 355 S. Grand LLC	534,068	0.16	
7	Tishman Speyer Archstone Smith	573,604	0.11	One Hundred Towers LLC	532,784	0.16	
8	Paramount Pictures Corp.	536,612	0.11	Trizec 333 LA LLC	413,989	0.12	
9	Olympic and Georgia Partners LLC	524,838	0.10	Duesenberg Investment Company	384,180	0.11	
10	Duesenberg Investment Company	510,012	0.10	Casden Properties La Brea LLC	374,257	0.11	
11	Century City Mall LLC	502,013	0.10	Paramount Pictures Corp.	361,558	0.11	
12	LA Live Properties LLC	490,311	0.10	Walt Disney Productions Inc.	345,723	0.10	
13	Taubman Beverly Center	479,464	0.09	Warner Center Condominiums LLC	325,330	0.09	
14	Casden Park La Brea LLC	469,531	0.09	1999 Stars LLC	321,981	0.09	
15	Trizec 333 LA LLC	468,870	0.09	Century City Mall LLC	314,937	0.09	
16	Westfield Topanga Owner LP	463,297	0.09	AP Properties Ltd.	298,550	0.09	
17	Wilshire Courtyard LP	422,409	0.08	Twentieth Century Fox Film Corp.	292,445	0.09	
18	Twentieth Century Fox Film Corp.	395,962	0.08	Library Square Associates LLC	283,971	0.08	
19	Tyjade Ranch LLC	394,238	0.08	515 555 Flower Associates LLC	281,362	0.08	
20	Trizec 601 Figueroa LLC	379,372	0.07	2121 Avenue of the Starts LLC	276,500	0.08	
		<u>\$ 13,818,299</u>	<u>2.71%</u>			<u>\$ 10,789,968</u>	<u>3.15%</u>

⁽¹⁾ 2014-15 Local Secured Assessed Valuation: \$510,242,136.

⁽²⁾ 2005-06 Local Secured Assessed Valuation: \$342,976,044.

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
2005-2006	\$ 991,275	\$ 76,068	\$ 1,026,351	96.16%	\$ 30,963	\$1,057,314	99.06%
2006-2007	1,173,752	—	1,134,757	96.68	101,640	1,236,397	105.34
2007-2008	1,345,503	(42,753)	1,241,733	95.32	76,816	1,318,549	101.21
2008-2009	1,481,739	(2,660)	1,372,078	92.77	114,292	1,486,370	100.49
2009-2010	1,597,579	41,685	1,505,933	91.87	112,277	1,618,210	98.72
2010-2011	1,711,575	29,419	1,602,345	92.04	102,970	1,705,315	97.95
2011-2012	1,663,061	(3,533)	1,520,001	91.59	97,842	1,617,843	97.49
2012-2013	1,731,129	114,465	1,798,032	97.42	132,847	1,930,879	104.62
2013-2014	1,652,164	26,846	1,684,486	100.33	29,409	1,713,895	102.08
2014-2015	1,779,935	35,339	1,798,657	99.08	38,226	1,836,883	101.19

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

⁽²⁾ Includes prior years' delinquencies. The Auditor-Controller has determined that they cannot provide delinquent tax information by levy year.

See accompanying independent auditor's report.

LOS ANGELES UNIFIED SCHOOL DISTRICT
Revenue Limit/LCFF Per Unit of Average Daily Attendance
Last Ten Fiscal Years
(Unaudited)

Fiscal Year	K-12 Base Revenue Limit (Deficit)	Adult Base Revenue Limit	LCFF Adjusted Base Grant per ADA ^e			
			Grades K - 3	Grades 4 - 6	Grades 7 - 8	Grades 9 - 12
2005-2006	\$ 5,133.46	\$ 2,389.22				
2006-2007	5,544.56	2,530.66				
2007-2008	5,796.56	2,645.30 ^a				
2008-2009	5,645.07	N/A ^b				
2009-2010	4,962.13 ^c	N/A ^b				
2010-2011	5,264.22 ^d	N/A ^b				
2011-2012	5,209.39 ^d	N/A ^b				
2012-2013	5,266.00 ^d	N/A ^b				
2013-2014			\$ 7,676.00	\$ 7,056.00	\$ 7,266.00	\$ 8,638.00
2014-2015			7,740.00	7,116.00	7,328.00	8,712.00

^a Beginning with fiscal year 2007-08, the principal apportionment for Adult is no longer a revenue limit item. It was determined by the State to be more appropriately classified as other state apportionments.

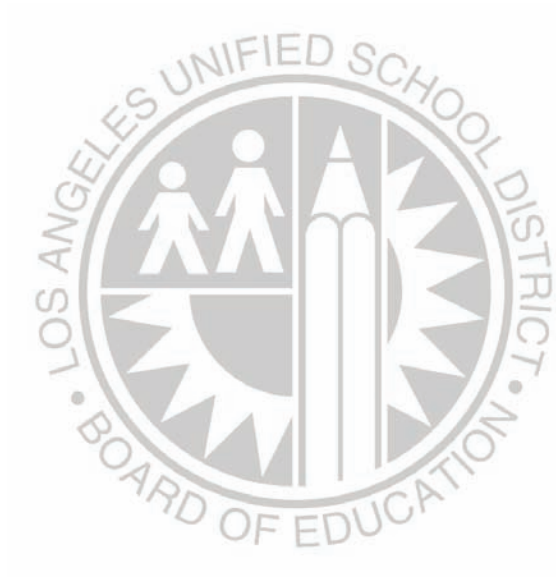
^b Per SBX3 4 (Chapter 12, Statutes of 2009), funding for fiscal years 2008-09 through 2012-13 is based on the District's 2007-08 proportionate share of funding to the State's total available funding for the program.

^c This rate is net of the additional revenue limit reduction of \$252.99 per 2008-09 funded revenue limit ADA.

^d Per Assembly Bill 851, beginning 2010-11, the base revenue limit rate per ADA includes the Beginning Teachers Salary and Meals for Needy.

^e Adjusted Base Grant per ADA (EC Section 42238.02(d)). The Local Control Funding Formula (LCFF) replaced the previous K-12 finance system with a new funding formula which is composed of uniform base grants by grade span (K-3, 4-6, 7-8, 9-12).

See accompanying independent auditor's report.



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

	2005-2006		2006-2007	
	Amount	Percent	Amount	Percent
Revenues and other sources				
Local control funding formula sources	\$ 3,724,599	35.99%	\$ 3,892,689	32.86%
Federal revenues	1,150,060	11.11	1,023,992	8.65
Other state revenues	2,419,412	23.38	2,853,979	24.10
Other local revenues	637,941	6.17	835,529	7.05
Operating transfers in	381,658	3.69	362,932	3.06
Proceeds from issuance of bonds	1,115,712	10.78	900,000	7.60
Premium on bonds issued	64,283	0.62	33,649	0.28
Proceeds from refunding bonds issued	778,673	7.53	1,889,000	15.95
Premium on refunding bonds issued	64,058	0.62	49,073	0.41
Proceeds from Certif. of Participation/Long-term Capital Lease ⁽¹⁾	11,318	0.11	2,394	0.02
Issuance of refunding COPs	—	—	—	—
Premium on COPs issued	—	—	—	—
Proceeds from CA Energy Commission loan	63	—	—	—
Proceeds from Sullivan Canyon sale	—	—	—	—
Proceeds from Ramona HS/Palisade Charter (2012)	—	—	—	—
Proceeds from sale of surplus property	—	—	—	—
Insurance proceeds – fire damage	—	—	2,935	0.02
Children Center facilities fund	—	—	—	—
Total Revenues and Other Sources	<u>\$ 10,347,777</u>	<u>100.00%</u>	<u>\$ 11,846,172</u>	<u>100.00%</u>
Expenditures and other uses				
Current:				
Certificated salaries	\$ 3,187,441	31.58%	\$ 3,362,475	29.07%
Classified salaries	1,098,558	10.88	1,180,482	10.21
Employee benefits	1,418,575	14.06	1,440,468	12.46
Books and supplies	567,167	5.62	507,486	4.39
Services and other operating expenditures	691,388	6.85	785,742	6.80
Capital outlay	1,532,862	15.19	1,494,934	12.93
Debt service	338,706	3.36	448,238	3.88
Other outgo ⁽²⁾	41,695	0.41	46,865	0.41
Operating transfers out ⁽³⁾	381,658	3.78	366,926	3.17
Discount on issuance of refunding bonds	—	—	1,324	0.01
Discount on issuance of COPs	—	—	—	—
Payment to refunded bonds escrow agent	656,098	6.50	1,927,084	16.67
Payment to COPs escrow agent	—	—	—	—
Payment to refunded COPs escrow agent	178,618	1.77	—	—
Total Expenditures and Other Uses	<u>\$ 10,092,766</u>	<u>100.00%</u>	<u>\$ 11,562,024</u>	<u>100.00%</u>

⁽¹⁾ The 2005-06 COPs proceeds were used to modernize nine schools to accommodate existing or planned academy programs that address student career pathway/higher education interests. The 2007-08 COPs proceeds were used to finance certain acquisition, development and installation of information technology systems of the District.

See accompanying independent auditor's report.

2007-2008			2008-2009			2009-2010		
Amount		Percent	Amount		Percent	Amount		Percent
\$	3,624,134	34.38%	\$	3,444,940	32.55%	\$	2,977,215	23.37%
	1,016,465	9.64		1,357,169	12.82		1,289,543	10.12
	3,307,609	31.38		3,223,201	30.45		2,566,534	20.15
	925,869	8.78		904,663	8.55		918,438	7.21
	499,947	4.74		575,839	5.44		539,641	4.24
	1,000,000	9.49		945,774	8.94		4,082,645	32.06
	42,258	0.40		—	—		92,908	0.73
	—	—		—	—		149,760	1.18
	—	—		—	—		—	—
	106,627	1.01		122,146	1.15		41,659	0.33
	—	—		—	—		69,685	0.55
	—	—		—	—		3,771	0.03
	—	—		—	—		—	—
	—	—		—	—		—	—
	14,110	0.13		9,610	0.09		2,371	0.02
	—	—		—	—		—	—
	5,332	0.05		1,439	0.01		2,057	0.01
	—	—		—	—		(518)	—
\$	10,542,351	100.00%	\$	10,584,781	100.00%	\$	12,735,709	100.00%
\$	3,469,214	33.50%	\$	3,384,912	31.19%	\$	2,929,870	29.04%
	1,269,680	12.26		1,236,448	11.39		1,126,477	11.17
	1,464,061	14.14		1,440,404	13.27		1,581,239	15.68
	574,902	5.55		441,855	4.07		395,886	3.92
	880,455	8.50		872,470	8.04		867,482	8.60
	1,644,450	15.88		2,113,952	19.48		1,677,858	16.63
	541,059	5.22		665,738	6.14		727,262	7.21
	882	0.01		240	—		615	0.01
	512,061	4.94		588,821	5.43		552,270	5.47
	—	—		—	—		—	—
	—	—		—	—		—	—
	—	—		—	—		163,199	1.62
	—	—		—	—		—	—
	—	—		107,795	0.99		65,328	0.65
\$	10,356,764	100.00%	\$	10,852,635	100.00%	\$	10,087,486	100.00%

⁽²⁾ “Other outgo” includes other tuition and transfer of apportionment to another district. For fiscal years 2005-06 and 2006-07, Charter Schools In-lieu of Taxes was included in total expenditures under object 7280 as Other transfers out. Starting with fiscal year 2007-08, this is presented as reduction of the revenues.

(Continued)

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

	2010-2011		2011-2012	
	Amount	Percent	Amount	Percent
Revenues and other sources				
Local control funding formula sources	\$ 3,056,350	32.59%	\$ 2,968,193	32.44%
Federal revenues	1,463,899	15.61	1,179,268	12.89
Other state revenues	2,966,361	31.63	2,222,007	24.28
Other local revenues	1,198,389	12.78	1,084,248	11.85
Operating transfers in	604,246	6.44	874,499	9.56
Proceeds from issuance of bonds	—	—	—	—
Premium on bonds issued	—	—	—	—
Proceeds from refunding bonds issued	—	—	563,805	6.16
Premium on refunding bonds issued	—	—	77,207	0.84
Proceeds from Certif. of Participation/Long-term Capital Lease ⁽¹⁾	84,388	0.90	—	—
Issuance of refunding COPs	—	—	160,190	1.75
Premium on COPs issued	3,034	0.03	16,648	0.18
Proceeds from CA Energy Commission loan	—	—	—	—
Proceeds from Sullivan Canyon sale	—	—	—	—
Proceeds from Ramona HS	—	—	—	—
Proceeds from sale of surplus property	52	—	930	0.01
Insurance proceeds – fire damage	1,987	0.02	3,221	0.04
Children Center facilities fund	—	—	321	—
Total Revenues and Other Sources	<u>\$ 9,378,706</u>	<u>100.00%</u>	<u>\$ 9,150,537</u>	<u>100.00%</u>
Expenditures and other uses				
Current:				
Certificated salaries	\$ 2,948,806	30.67%	\$ 2,799,485	27.58%
Classified salaries	1,058,084	11.01	1,025,679	10.10
Employee benefits	1,508,612	15.69	1,546,789	15.24
Books and supplies	495,998	5.16	392,154	3.86
Services and other operating expenditures	826,514	8.60	729,903	7.19
Capital outlay	1,241,249	12.91	1,021,845	10.07
Debt service	885,659	9.21	934,339	9.20
Other outgo ⁽²⁾	181	—	1,203	0.01
Operating transfers out ⁽³⁾	615,202	6.40	885,625	8.72
Discount on issuance of refunding bonds	—	—	—	—
Discount on issuance of COPs	596	0.01	—	—
Payment to refunded bonds escrow agent	—	—	639,404	6.30
Payment to COPs escrow agent	—	—	—	—
Payment to refunded COPs escrow agent	32,548	0.34	175,887	1.73
Total Expenditures and Other Uses	<u>\$ 9,613,449</u>	<u>100.00%</u>	<u>\$ 10,152,313</u>	<u>100.00%</u>

⁽¹⁾ The 2005-06 COPs proceeds were used to modernize nine schools to accommodate existing or planned academy programs that address student career pathway/higher education interests. The 2007-08 COPs proceeds were used to finance certain acquisition, development and installation of information technology systems of the District.

See accompanying independent auditors' report.

2012-2013			2013-2014			2014-2015		
Amount		Percent	Amount		Percent	Amount		Percent
\$	2,913,744	36.62%	\$	4,408,214	46.40%	\$	4,800,254	54.36%
	1,017,226	12.78		965,830	10.17		1,061,216	12.02
	2,265,455	28.47		1,028,925	10.83		1,033,650	11.70
	1,140,218	14.33		1,049,367	11.04		1,098,491	12.44
	581,194	7.30		155,989	1.64		304,677	3.45
	—	—		—	—		135,830	1.54
	—	—		—	—		6,302	0.07
	—	—		1,622,200	17.07		326,045	3.69
	—	—		267,876	2.82		62,819	0.71
	—	—		1,741	0.02		637	0.01
	24,780	0.31		—	—		—	—
	—	—		—	—		—	—
	—	—		—	—		—	—
	—	—		—	—		—	—
	—	—		—	—		—	—
	4	—		—	—		139	—
	15,154	0.19		845	0.01		758	0.01
	—	—		—	—		—	—
\$	7,957,775	100.00%	\$	9,500,987	100.00%	\$	8,830,818	100.00%
\$	2,661,784	31.15%	\$	2,657,348	26.87%	\$	2,857,529	31.41%
	967,573	11.32		1,003,137	10.15		1,067,487	11.73
	1,509,401	17.66		1,558,637	15.76		1,773,490	19.49
	354,514	4.15		384,374	3.89		467,510	5.14
	918,747	10.75		705,874	7.14		778,602	8.56
	571,357	6.70		589,514	5.96		533,717	5.87
	944,255	11.05		928,293	9.39		877,383	9.64
	1,240	0.01		6,326	0.06		6,502	0.07
	591,590	6.92		166,777	1.69		314,818	3.46
	—	—		—	—		—	—
	—	—		—	—		—	—
	—	—		1,887,989	19.09		387,556	4.26
	—	—		—	—		33,218	0.37
	24,641	0.29		—	—		—	—
\$	8,545,102	100.00%	\$	9,888,269	100.00%	\$	9,097,812	100.00%

⁽²⁾ “Other outgo” includes other tuition and transfer of apportionment to another district. For fiscal years 2005-06 and 2006-07, Charter Schools In-lieu of Taxes was included in total expenditures under object 7280 as Other transfers out. Starting with fiscal year 2007-08, this is presented as reduction of the revenues.

(Continued)

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

(3) Table below shows Detail of Operating transfers out (in thousands):

From	To	2005-2006	2006-2007
General	Adult Education	\$ —	\$ 4,199
General	Cafeteria	11,140	288
General	Child Development	8,764	7,133
General	Deferred Maintenance	30,000	30,188
General	Capital Services	4,169	9,758
General	Special Reserve	27,403	109
General	Special Reserve – FEMA – Earthquake	2,225	—
General	Capital Facilities	—	—
General	Building – Measure R	—	—
General	Building – Measure Y	—	—
General	Health & Welfare	—	3,994
Adult Education	General	—	—
Adult Education	Special Reserve	—	—
Adult Education	Building – Measure R	—	—
Adult Education	Building – Measure Y	—	—
Cafeteria	Capital Services	—	—
Child Development	General	2,000	2,000
Deferred Maintenance	General	—	—
Capital Services	General	—	—
Capital Services	State School Building Lease – Purchase	—	—
Capital Services	Special Reserve	—	—
Capital Services	Building – Measure Y	1	—
Capital Services	County School Facilities	—	—
Building	Special Reserve – FEMA	—	—
State School Building Lease – Purchase	Capital Services	2,629	—
State School Building Lease – Purchase	State School Building Lease – Purchase	—	—
State School Building Lease – Purchase	Special Reserve	—	—
State School Building Lease – Purchase	Capital Facilities	—	—
State School Building Lease – Purchase	Building – Bond Proceeds	—	—
State School Building Lease – Purchase	Building – Measure K	—	—
State School Building Lease – Purchase	Building – Measure R	—	—
State School Building Lease – Purchase	Building	—	—
State School Building Lease – Purchase	County School Facilities	—	—
State School Building Lease – Purchase	County School Facilities – Prop 55	—	—
Special Reserve	General	57,312	28,900
Special Reserve	Adult Education	—	—
Special Reserve	Cafeteria	—	—
Special Reserve	Capital Services	—	1,265
Special Reserve	State School Building Lease – Purchase	—	—
Special Reserve	Capital Facilities	—	—
Special Reserve	Building – Bond Proceeds	—	—
Special Reserve	Building – Measure K	—	61,228
Special Reserve	Building – Measure R	—	2
Special Reserve	Building – Measure Y	—	—
Special Reserve	County School Facilities	—	—
Special Reserve	County School Facilities – Prop 47	—	—
Special Reserve	County School Facilities – Prop 55	—	—
Special Reserve – FEMA – Earthquake	General	520	—

2007-2008	2008-2009	2009-2010	2010-2011	2011-2012	2012-2013	2013-2014	2014-2015
\$ —	\$ —	\$ 168,282	\$ —	\$ —	\$ 60,481	\$ —	\$ —
8,214	16,587	12,210	32,061	88,588	53,583	51,000	50,000
—	—	165	7,996	19,437	15,322	30,198	24,997
31,048	30,000	—	—	—	—	—	—
12,514	26,356	30,993	23,849	33,670	30,263	36,116	40,480
—	3	—	903	—	—	11	22
—	—	—	—	—	—	—	—
—	260	83	—	—	—	—	—
—	—	—	—	—	8	—	1,641
—	—	—	—	—	976	—	274
12,114	12,982	12,629	10,956	11,126	10,396	10,787	10,141
10,600	10,600	10,600	—	—	10,431	35	—
—	—	—	—	—	971	—	—
—	3,197	—	—	—	—	—	—
—	—	—	—	—	—	—	4
—	—	2,482	786	787	787	787	—
—	—	853	—	—	—	—	—
—	—	—	18,501	—	—	—	—
—	231	904	—	737	99	—	—
—	—	2,975	—	—	—	—	—
—	—	1,424	—	—	5,744	—	—
—	—	—	—	—	—	—	—
—	—	3,593	—	—	—	—	—
—	229	—	—	—	—	—	—
—	—	—	—	—	—	—	—
—	—	(29)	—	—	—	—	—
259	1	—	—	—	—	—	—
90	—	—	—	—	—	—	—
11,944	60	118	62	—	—	—	—
8,651	221	—	—	—	—	—	97
—	—	—	—	2	—	—	—
—	—	—	—	—	—	148	—
—	8	104	—	—	—	—	—
—	—	7	—	—	—	—	—
88,200	34,117	62,437	52,161	2,436	140	16,901	2,049
—	—	—	—	—	27	—	—
—	—	11,803	—	—	—	—	—
23,484	123,595	73,100	8,578	—	—	—	—
260	100	—	—	—	1	—	—
—	11	—	—	—	11	—	—
—	1,034	1,557	—	—	773	—	—
47,288	6,269	629	364	3	4,583	—	70
—	1,383	14,298	3	12	4,614	—	5,051
—	1	—	11	102	7,118	—	1,472
—	—	100	—	—	1	—	—
—	355	—	—	—	343	—	—
169	3,657	2,232	5,428	—	1,233	—	—
—	—	—	—	—	—	—	—

(Continued)

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

From	To	2005-2006	2006-2007
Special Reserve – FEMA – Earthquake	County School Facilities – Prop 55	\$ —	\$ 120
Special Reserve – FEMA – Hazard Mitigation	General	2,225	—
Special Reserve – CRA	General	—	—
Special Reserve – CRA	Capital Services	—	—
Special Reserve – CRA	Building – Measure K	—	—
Special Reserve – CRA	Building – Measure R	—	—
Special Reserve – CRA	County School Facilities – Prop 47	—	—
Capital Facilities	Capital Services	21,606	22,215
Capital Facilities	State School Building Lease – Purchase	—	2,601
Capital Facilities	Special Reserve	—	—
Capital Facilities	Building – Bond Proceeds	—	—
Capital Facilities	Building – Measure K	—	—
Capital Facilities	Building – Measure R	—	—
Capital Facilities	Building – Measure Y	—	—
Capital Facilities	County School Facilities – Prop 55	—	—
Building – Bond Proceeds	General	—	—
Building – Bond Proceeds	Deferred Maintenance	—	—
Building – Bond Proceeds	State School Building Lease – Purchase	—	—
Building – Bond Proceeds	Special Reserve	—	—
Building – Bond Proceeds	Capital Facilities	—	—
Building – Bond Proceeds	Building – Measure K	—	—
Building – Bond Proceeds	Building – Measure R	—	9
Building – Bond Proceeds	Building – Measure Y	—	—
Building – Bond Proceeds	County School Facilities	—	—
Building – Bond Proceeds	County School Facilities – Prop 47	—	—
Building – Bond Proceeds	County School Facilities – Prop 55	—	—
Building – Bond Proceeds	County School Facilities – Prop 1D	—	—
Building – Measure K	General	—	—
Building – Measure K	Adult Education	—	—
Building – Measure K	State School Building Lease – Purchase	—	—
Building – Measure K	Special Reserve	—	27,907
Building – Measure K	Capital Facilities	—	—
Building – Measure K	Building – Bond Proceeds	—	146
Building – Measure K	Building – Measure R	—	173
Building – Measure K	Building – Measure Y	—	—
Building – Measure K	County School Facilities	—	6,105
Building – Measure K	County School Facilities – Prop 47	—	—
Building – Measure K	County School Facilities – Prop 55	—	—
Building – Measure K	County School Facilities – Prop 1D	—	—
Building – Measure R	General	—	—
Building – Measure R	State School Building Lease – Purchase	—	—
Building – Measure R	Special Reserve	—	—
Building – Measure R	Capital Facilities	—	—
Building – Measure R	Building – Bond Proceeds	—	1
Building – Measure R	Building – Measure K	—	1,563
Building – Measure R	Building – Measure Y	—	—
Building – Measure R	County School Facilities	—	1,475
Building – Measure R	County School Facilities – Prop 47	—	—
Building – Measure R	County School Facilities – Prop 55	—	—
Building – Measure R	County School Facilities – Prop 1D	—	—
Building – Measure Y	General	30,000	30,000
Building – Measure Y	Adult Education	—	—

2007-2008	2008-2009	2009-2010	2010-2011	2011-2012	2012-2013	2013-2014	2014-2015
\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
—	—	—	—	—	—	—	—
4,293	4,069	4,003	4,002	—	—	—	90
—	—	325	—	—	—	—	—
—	3,571	—	—	—	—	—	—
—	1,129	—	—	—	—	—	—
—	1,300	—	—	—	—	—	—
20,537	56,461	12,158	10,695	9,574	9,574	9,576	9,574
90	—	—	—	—	—	—	—
219	12	—	—	1	22	—	—
—	2	—	—	—	—	—	—
11,409	151	4	—	338	499	—	1
3	24	—	—	—	259	—	768
—	—	—	109	19	—	—	10,975
—	—	—	—	—	1	—	—
—	—	76	—	—	—	—	—
—	—	84	—	—	—	—	—
3,307	84	82	881	—	13	—	—
—	139	68	—	1	—	—	—
—	3	195	—	—	—	—	—
943	31,010	5,484	4,488	4,500	1,423	—	—
3,795	23,563	36,480	12,330	8,327	11,222	—	10
—	114	15	4	420	8,236	—	3,399
13	2,742	7,689	124	688	1,005	—	—
1,252	183	814	3,036	1,346	2,087	—	672
3,287	21,142	2,432	4,174	10,445	3,284	—	—
—	617	417	—	181	414	—	—
—	—	—	—	—	567	—	—
—	4	—	—	—	—	—	—
1	—	—	—	43	—	—	—
7,819	15,123	94	—	—	200	—	1,419
71	—	—	—	—	—	—	—
839	124	751	—	—	1	—	—
9,956	5,433	175	1,349	616	288	—	16,425
8	236	415	375	11,946	10,583	—	8,734
658	—	50	—	—	—	—	—
—	116	—	—	—	—	—	20
1,562	419	—	3,405	366	716	—	—
—	—	—	—	756	984	—	—
—	—	—	—	144	510	—	136
2,970	—	33	177	—	76	—	—
1,151	161	1,587	116	7,881	—	4,612	5,325
33	—	—	—	—	—	—	—
15,368	40	4,714	119	462	1,283	—	—
22,560	3,528	158	1,591	2,344	9,876	—	1,696
8,901	50	787	1,862	7,458	7,395	—	9,161
666	160	7,229	417	615	529	—	—
94	—	—	533	2,536	309	—	678
1,767	957	520	4,840	4,342	7,765	—	—
—	—	2,480	44	1,297	6,116	—	—
30,000	30,000	—	13,474	2,177	11,830	5,745	860
—	3	2	—	—	44	—	3,333

(Continued)

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

From	To	2005-2006	2006-2007
Building – Measure Y	Cafeteria	\$ —	\$ —
Building – Measure Y	Capital Services	178,618	1,904
Building – Measure Y	Special Reserve	—	—
Building – Measure Y	Building – Bond Proceeds	—	—
Building – Measure Y	Building – Measure K	—	8,864
Building – Measure Y	Building – Measure R	—	—
Building – Measure Y	County School Facilities	—	—
Building – Measure Y	County School Facilities – Prop 47	—	—
Building – Measure Y	County School Facilities – Prop 55	—	—
Building – Measure Y	County School Facilities – Prop 1D	—	—
County School Facilities	Deferred Maintenance	—	—
County School Facilities	Capital Services	3,046	—
County School Facilities	State School Building Lease – Purchase	—	—
County School Facilities	Special Reserve	—	3
County School Facilities	Capital Facilities	—	—
County School Facilities	Building – Bond Proceeds	—	—
County School Facilities	Building – Measure K	—	1
County School Facilities	Building – Measure R	—	—
County School Facilities	Building – Measure Y	—	—
County School Facilities	County School Facilities – Prop 47	—	—
County School Facilities	County School Facilities – Prop 55	—	—
County School Facilities – Prop 47	State School Building Lease – Purchase	—	—
County School Facilities – Prop 47	Special Reserve	—	—
County School Facilities – Prop 47	Capital Facilities	—	—
County School Facilities – Prop 47	Building – Bond Proceeds	—	1,006
County School Facilities – Prop 47	Building – Measure K	—	15
County School Facilities – Prop 47	Building – Measure R	—	—
County School Facilities – Prop 47	Building – Measure Y	—	—
County School Facilities – Prop 47	County School Facilities	—	—
County School Facilities – Prop 47	County School Facilities – Prop 55	—	—
County School Facilities – Prop 47	County School Facilities – Prop 1D	—	—
County School Facilities – Prop 47	Building Fund	—	—
County School Facilities – Prop 55	State School Building Lease – Purchase	—	—
County School Facilities – Prop 55	Special Reserve	—	42,457
County School Facilities – Prop 55	Special Reserve – FEMA	—	—
County School Facilities – Prop 55	Capital Facilities	—	—
County School Facilities – Prop 55	Building – Bond Proceeds	—	—
County School Facilities – Prop 55	Building – Measure K	—	68,910
County School Facilities – Prop 55	Building – Measure R	—	2,387
County School Facilities – Prop 55	Building – Measure Y	—	—
County School Facilities – Prop 55	County School Facilities	—	—
County School Facilities – Prop 55	County School Facilities – Prop 47	—	—
County School Facilities – Prop 55	County School Facilities – Prop 1D	—	—
County School Facilities – Prop 1D	Special Reserve	—	—
County School Facilities – Prop 1D	Capital Facilities	—	—
County School Facilities – Prop 1D	State School Building Lease – Purchase	—	—
County School Facilities – Prop 1D	Building – Bond Proceeds	—	—
County School Facilities – Prop 1D	Building – Measure K	—	—
County School Facilities – Prop 1D	Building – Measure R	—	—
County School Facilities – Prop 1D	Building – Measure Y	—	—
County School Facilities – Prop 1D	County School Facilities	—	—
County School Facilities – Prop 1D	County School Facilities – Prop 47	—	—
County School Facilities – Prop 1D	County School Facilities – Prop 55	—	—
		<u>\$ 381,658</u>	<u>\$ 366,926</u>

See accompanying independent auditor's report.

2007-2008	2008-2009	2009-2010	2010-2011	2011-2012	2012-2013	2013-2014	2014-2015
\$ —	\$ —	\$ —	\$ 867	\$ 856	\$ 1,082	\$ 861	\$ 1,299
1,904	1,904	4,073	2,447	2,347	542	—	—
61	651	—	—	—	994	—	39,371
—	4	1,452	114	1	1,551	—	—
364	550	3,798	22	2,517	11,747	—	6
—	4,446	1,675	18,729	442,604	3,932	—	2,375
—	—	512	669	256	355	—	—
—	—	—	73	8	18	—	587
—	—	—	—	5,315	7,795	—	—
—	—	807	857	135	3,743	—	—
—	—	857	349	—	—	—	—
—	—	—	—	—	—	—	—
—	2	45	—	—	—	—	—
—	—	129	—	—	—	—	—
—	—	53	—	—	—	—	—
—	9,480	4,998	5,972	1,831	473	—	—
106	1,364	1,691	—	28	883	—	—
24	1,265	3,086	2,919	1,089	—	—	—
—	2	—	52	—	—	—	—
—	360	734	—	755	11	—	—
—	30	419	—	—	—	—	—
—	40	—	—	—	24	—	—
47	—	—	—	—	—	—	—
1,801	—	—	—	—	384	—	—
7,375	5,924	261	2,873	91	2,963	—	2,017
2,471	1,429	1,126	1	28	8,086	—	7,273
4,089	62	—	77	958	39	—	31,644
—	5	—	403	27	5	—	20,232
734	59	—	—	101	—	—	—
1,170	2	—	87	802	62,000	—	—
—	—	—	—	3,907	—	—	—
—	—	—	—	—	—	—	440
15,084	—	—	135	—	—	—	—
13,610	44	—	—	—	193	—	—
618	241	—	—	—	—	—	—
90	—	—	—	—	—	—	—
21,358	19,251	1,753	5,844	11,664	11,133	—	—
8,055	4,169	4,637	27,986	54,435	40,256	—	—
17,077	33,151	4,753	54,810	9,890	21,175	—	—
—	26	—	234,223	18,561	19,823	—	—
1,987	259	293	—	2,230	2	—	—
—	219	—	45	3	—	—	—
—	—	—	—	47	422	—	—
—	—	—	—	—	571	—	—
—	—	—	220	—	9,152	—	—
—	—	—	—	149	35	—	—
1,721	9,291	6,277	1,638	10,320	10,916	—	—
1,045	642	—	1,800	14,379	6,931	—	—
1,791	19,543	4,524	15,963	50,718	19,078	—	—
—	—	551	3,001	12,502	29,240	—	—
—	65	526	1,943	865	838	—	—
—	398	—	—	—	—	—	—
1,072	16	370	1,279	483	10,182	—	—
<u>\$ 512,061</u>	<u>\$ 588,821</u>	<u>\$ 552,270</u>	<u>\$ 615,202</u>	<u>\$ 885,625</u>	<u>\$ 591,590</u>	<u>\$ 166,777</u>	<u>\$ 314,818</u>

LOS ANGELES UNIFIED SCHOOL DISTRICT
Ratio of Annual Debt Service for General Bonded Debt and Certificates of
Participation (COPs) to Total General Governmental Expenditures
Last Ten Fiscal Years
(in thousands)
(Unaudited)

Fiscal Year	Principal	Interest	Total Debt Service ⁽¹⁾	Total General Governmental Expenditures	Ratio of Debt service to Total General Governmental Expenditures
2005-2006	\$ 89,885	\$ 237,622	\$ 327,507	\$ 10,092,766	3.24%
2006-2007	149,230	284,196	433,426	11,562,024	3.75
2007-2008	197,285	334,967	532,252	10,356,764	5.14
2008-2009	300,245	361,990	662,235	10,852,635	6.10
2009-2010	288,160	490,840	779,000	10,088,004	7.72
2010-2011	326,263	625,219	951,482	9,613,449	9.90
2011-2012	338,462	580,930	919,392	10,152,313	9.06
2012-2013	358,619	580,893	939,512	8,545,102	10.99
2013-2014	357,778	521,766	879,544	9,888,269	8.89
2014-2015	367,291	530,226	897,517	9,097,812	9.87

Notes:

⁽¹⁾ Payments for General Obligation Bonds and COPs, excluding fees paid in other cities, bond issuance, and other costs.

See accompanying independent auditor's report.



LOS ANGELES UNIFIED SCHOOL DISTRICT
Ratio of Net Debt to Assessed Value and Net Debt Per Capita
Last Ten Fiscal Years
(Dollars in thousands except Net Debt per Capita)
(Unaudited)

Fiscal Year	Population Los Angeles Unified ⁽¹⁾	Total Assessed Value	Gross Debt			
			General Obligation Bonds	Certificates of Participation	State School Building Aid Fund Payable	CA Energy Commission Loan
2005-2006	4,784,682	\$ 363,869,479	\$ 5,803,689	\$ 429,974	\$ 880	\$ 1,243
2006-2007	4,825,016	402,608,837	6,645,329	413,425	591	1,058
2007-2008	4,839,918	440,914,390	7,500,552	501,875	286	865
2008-2009	4,853,617	474,789,798	8,223,575	442,655	—	663
2009-2010	4,875,984	474,977,291	12,114,504	459,019	—	439
2010-2011	4,564,712	463,845,551	11,810,881	494,840	—	217
2011-2012	4,576,585	469,095,225	11,507,002	442,884	—	—
2012-2013	4,610,596	480,075,491	11,151,210	416,597	—	—
2013-2014	4,649,352	503,677,919	11,011,840	383,237	—	—
2014-2015	4,693,245	532,934,207	10,707,885	307,921	—	—

⁽¹⁾ Estimate.

⁽²⁾ This is the amount restricted for debt service principal payments.

Sources: Los Angeles County Auditor-Controller "Taxpayers' Guide"
Los Angeles County Department of Regional Research Section

See accompanying independent auditor's report.

Total Gross Debt	Debt Service Monies Available ⁽²⁾	Net Debt	Ratio of Net Debt to Assessed Value	Net Debt per Capita
\$ 6,235,786	\$ 309,525	\$ 5,926,261	1.6287%	\$ 1,239
7,060,403	268,111	6,792,292	1.6871	1,408
8,003,578	417,991	7,585,587	1.7204	1,567
8,666,893	490,953	8,175,940	1.7220	1,685
12,573,962	354,884	12,219,078	2.5726	2,506
12,305,938	442,118	11,863,820	2.5577	2,599
11,949,886	416,294	11,533,592	2.4587	2,520
11,567,807	459,309	11,108,498	2.3139	2,409
11,395,077	326,582	11,068,495	2.1975	2,381
11,015,806	398,694	10,617,112	1.9922	2,262

LOS ANGELES UNIFIED SCHOOL DISTRICT
Schedule of Direct and Overlapping Bonded Debt
Year Ended June 30, 2015
(in thousands)
(Unaudited)

Government	Percentage Applicable	Amount Applicable
Direct:		
Los Angeles Unified School District		
General Obligation Bonds	100.000%	\$ 10,707,885
Certificates of Participation	100.000	307,921
		<u>11,015,806</u>
Overlapping: ⁽¹⁾		
Los Angeles County General Fund Obligations	44.364	836,408
Los Angeles County Superintendent of Schools Certificates of Participation	44.364	3,868
Los Angeles County Flood Control District	45.460	6,867
Metropolitan Water District	22.922	25,310
Los Angeles Community College District	80.729	3,134,114
Pasadena Area Community College District	0.001	1
City of Los Angeles	99.931	887,122
City of Los Angeles General Fund and Judgment Obligations	99.931	1,653,983
Other City General Fund and Pension Obligation Bonds	Various	174,578
Los Angeles County Sanitation District		
Nos. 1, 2, 4, 5, 8, 9, 16 and 23 Authorities	Various	26,906
Los Angeles County Regional Park & Open Space Assessment District	44.364	36,769
City Community Facilities Districts	100.000	91,005
City of Los Angeles Landscaping and Special Tax Assessment District	99.931	16,014
Other City and Special District 1915 Act Bonds	91.089-100.000	20,707
Other Cities	Various	24,381
Palos Verdes Library District	4.722	114
City of Los Angeles Redevelopment Agency	100.000	532,065
Other Redevelopment Agencies	Various	387,528
Total Overlapping		<u>7,857,740</u>
Total Gross Direct and Overlapping Debt		18,873,546 ⁽²⁾
Less:		
Los Angeles County General Fund Obligations supported by landfill revenues		2,016
Los Angeles Unified School District (amount accumulated in Sinking Fund for repayment of 2005 Qualified Zone Academic Bonds)		17,091
City supported obligations		8,308
Total Net Direct and Overlapping Debt		<u>\$ 18,846,131</u>

⁽¹⁾ Generally includes long-term obligations sold in the public credit markets by public agencies whose boundaries overlap the boundaries of the District

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

Source: California Municipal Statistics, Inc. and District records.

See accompanying independent auditor's report.

LOS ANGELES UNIFIED SCHOOL DISTRICT
Legal Debt Margin Information
Last Ten Fiscal Years
(in thousands)
(Unaudited)

Fiscal Year	Debt Limit	Total Amount of Debt Applicable to Debt Limit	Legal Debt Margin	Total Amount of Debt Applicable to Debt Limit as a Percentage of Debt Limit
2005-2006	\$ 9,096,737	\$ 5,520,705	\$ 3,576,032	60.69 %
2006-2007	10,065,221	6,285,189	3,780,032	62.44
2007-2008	11,022,860	7,052,672	3,970,188	63.98
2008-2009	11,869,745	7,734,195	4,135,550	65.16
2009-2010	11,874,432	11,483,694	390,738	96.71
2010-2011	11,596,139	11,086,273	509,866	95.60
2011-2012	11,727,381	10,825,440	901,941	92.31
2012-2013	12,001,887	10,400,670	1,601,217	86.66
2013-2014	12,591,948	10,299,194	2,292,754	81.79
2014-2015	13,323,355	9,934,478	3,388,877	74.56

Computation of Legal Debt Margin for Fiscal Year Ended June 30, 2015

Assessed valuation (net taxable)	\$ 529,947,587
Plus exempt property	<u>2,986,620</u>
Total Assessed Valuation	532,934,207
Debt limit – 2.5% of Assessed Valuation per Education Code Section 15106 ⁽¹⁾	13,323,355
Bonded Debt:	
General Obligation Bonds	10,707,885
Assets available for payment of principal:	
Bond Interest & Redemption Fund	<u>(773,407)</u>
Total Amount of Debt Applicable to Debt Limit	<u>9,934,478</u>
Legal Debt Margin (bonded debt) ⁽¹⁾	<u><u>\$ 3,388,877</u></u>

⁽¹⁾ Converted rate from 10% of 25% of full cash value (2.5%) to 2.5% of 100% of full cash value (2.5%).

Source: Los Angeles County Auditor-Controller "Taxpayers' Guide"

See accompanying independent auditor's report.

LOS ANGELES UNIFIED SCHOOL DISTRICT
Demographic Statistics
Last Ten Fiscal Years
(in thousands)
(Unaudited)

Fiscal Year	Population City of Los Angeles	Population Los Angeles Unified*	Population County of Los Angeles	School Enrollment County of Los Angeles	School Enrollment Los Angeles Unified**	Unemployment Rate County of Los Angeles
2005-2006	3,976	4,785	10,246	1,708	847	4.5
2006-2007	4,018	4,825	10,332	1,673	830	4.8
2007-2008	4,046	4,840	10,364	1,648	813	7.5
2008-2009	4,066	4,854	10,393	1,632	795	11.9
2009-2010	4,095	4,876	10,441	1,575	760	12.4
2010-2011	3,810	4,565	9,859	1,589	750	12.3
2011-2012	3,825	4,577	9,885	1,575	715	12.0
2012-2013	3,864	4,611	9,958	1,564	610	10.9
2013-2014	3,905	4,649	10,042	1,553	608	9.0
2014-2015	3,957	4,693	10,137	1,539	595	8.2

* Estimate

** Beginning with Fiscal Year 2012-13, Secondary enrollment count includes Regional Occupational Program (ROP).

Sources: Los Angeles County Office of Regional Planning Research Section
California State Department of Finance
Los Angeles County Office of Education Information Services Unit
California State Department of Education, Educational Demographics Unit
District's Statistical Records – October Enrollment for Fiscal Year
California Employment Development Department

See accompanying independent auditor's report.

LOS ANGELES UNIFIED SCHOOL DISTRICT
Principal Employers
Current Year and Nine Years Ago
(Unaudited)

2015				2006			
Rank	Employer	Employees	Percentage of Total County Employment ⁽¹⁾	Employer	Employees	Percentage of Total County Employment ⁽²⁾	
1	Kaiser Permanente	35,771	0.76%	Kaiser Permanente	32,180	0.71%	
2	University of Southern California	18,629	0.40	Northrop Grumman Corp.	21,000	0.46	
3	Northrop Grumman Corp	17,000	0.36	Boeing Co.	15,825	0.35	
4	Target Corp.	15,000	0.32	Kroger Co	14,000 *	0.31	
5	Ralphs/Food 4 Less (Kroger Co. division)	13,500	0.29	University of Southern California	12,379	0.27	
6	Bank of America Corp.	13,000	0.28	Bank of America Corp.	12,200	0.27	
7	Providence Health & Services Southern Ca.	13,000	0.28	Vons	12,116	0.27	
8	AT&T Inc	11,700	0.25	Target	12,066	0.26	
9	UPS	10,768	0.23	AT&T	9,500	0.21	
10	Home Depot	10,600 *	0.23	Cedars-Sinai Medical Centers	8,817	0.19	
	Total	<u>158,968</u>	<u>3.40%</u>	Total	<u>150,083</u>	<u>3.30%</u>	

* Business Journal estimate

⁽¹⁾ Based on Los Angeles County Employment of 4,685,300

⁽²⁾ Based on Los Angeles County Employment of 4,561,000

Sources: Los Angeles Business Journal
California Employment Development Department

See accompanying independent auditor's report.

LOS ANGELES UNIFIED SCHOOL DISTRICT
Average Daily Attendance/Hours of Attendance
Annual Report
Last Ten Fiscal Years
(Unaudited)

	<u>2005-2006</u>	<u>2006-2007</u>
Elementary:		
Kindergarten	47,876	46,131
Grades 1-3	151,592	145,181
Grades 4-6	152,341	143,384
Grades 7-8	91,576	92,832
Special Education	20,435	19,740
County Special Education	—	—
Opportunity Schools	10	12
Home or Hospital	159	159
Community Day Schools	172	148
County Community Schools	16	19
Total Elementary	<u>464,177</u>	<u>447,606</u>
Secondary:		
Regular Classes	152,848	151,323
Special Education	11,350	11,253
County Special Education	—	—
Compulsory Continuation Education	3,198	2,972
Opportunity Schools	407	399
Home or Hospital	120	125
Community Day Schools	757	716
County Community Schools	156	93
Total Secondary	<u>168,836</u>	<u>166,881</u>
Block grant funded fiscally affiliated charters	<u>5,958</u>	<u>5,936</u>
Total Block Grant Funded Fiscally Affiliated Charters	<u>5,958</u>	<u>5,936</u>
Adult program:		
ROC/P Mandated	14,395	18,857
Classes for Adults – Mandated	63,305	64,867
Concurrently Enrolled Adults	5,886	6,594
Full-time Independent Study*	7	29
Total Adult Program	<u>83,593</u>	<u>90,347</u>
Total Average Daily Attendance	<u><u>722,564</u></u>	<u><u>710,770</u></u>
Summer School Hours of Attendance		
Elementary	12,061,970	9,974,314
Secondary	8,929,199	8,357,150
Dependent Charter	***	***
Total Hours	<u><u>20,991,169</u></u>	<u><u>18,331,464</u></u>

* Students 21 years or older and students 19 or older not continuously enrolled since their 18th birthday, participating in full-time independent study.

** Not collected due to changes made by Education Code Section 42605. For 2008-09 through 2012-13, Districts were not required to operate the program or follow program requirements. Revenue for these years were based on the same relative proportion that the District received for these programs in fiscal year 2007-08.

*** Included with Elementary and Secondary hours.

^a Updated to reflect revised audited annual report.

See accompanying independent auditor's report.

2007-2008	2008-2009	2009-2010	2010-2011	2011-2012	2012-2013
44,705	44,393	43,906	43,364	43,737	42,093
141,266	138,384	134,001	130,846	127,081	120,880
136,245	131,692	127,455	124,800	119,257	111,082
90,769	86,871	82,465	78,704	73,733	68,461
19,427	19,897	19,204	19,250	18,522	17,966
—	—	1	1	1	1
11	10	7	7	8	8
170	123	118	127	107	118
122	122	126	85	94	103
26	22	21	11	15	8
432,741	421,514	407,304	397,195	382,555	360,720
151,852	151,451	146,707	143,979	135,549	129,037
11,030	10,905	10,960	11,252	10,709	10,513
—	—	1	—	1	—
2,837	3,085	3,339	3,507	3,602	3,623
433	455	492	494	506	492
130	109	99	98	101	101
692	772	915	911	933	852
84	81	240	148	137	175
167,058	166,858	162,753	160,389	151,538	144,793
6,482	6,655	6,906	7,866	13,499	28,832 ^a
6,482	6,655	6,906	7,866	13,499	28,832 ^a
20,309	23,379	**	**	**	**
65,684	66,905	**	**	**	**
7,756	8,297	**	**	**	**
43	25	**	**	**	**
93,792	98,606	—	—	—	—
700,073	693,633	576,963	565,450	547,592	534,345 ^a
10,195,908	8,567,366	**	**	**	**
8,336,362	7,203,657	**	**	**	**
***	***	**	**	**	**
18,532,270	15,771,023	—	—	—	—

(Continued)

LOS ANGELES UNIFIED SCHOOL DISTRICT
Average Daily Attendance/Hours of Attendance
Annual Report
Last Ten Fiscal Years (Continued)
(Unaudited)

	<u>2013-2014</u>	<u>2014-2015</u>
District:		
Kindergarten-Grade 3	168,219.59	163,766.40
Grades 4-6	114,458.03	112,308.60
Grades 7-8	71,338.82	68,415.44
Grades 9-12	133,233.66	130,676.24
Total District	<u>487,250.10</u>	<u>475,166.68</u>
County:		
Kindergarten-Grade 3	0.00	0.00
Grades 4-6	1.23	1.38
Grades 7-8	7.85	5.12
Grades 9-12	670.05	628.23
Total County	<u>679.13</u>	<u>634.73</u>
Affiliated Charter Schools:		
Kindergarten-Grade 3	16,012.86	15,913.38
Grades 4-6	10,393.49	10,505.83
Grades 7-8	5,758.33	6,070.36
Grades 9-12	7,468.47	7,454.27
Total Affiliated Charter Schools	<u>39,633.15</u>	<u>39,943.84</u>
Total Average Daily Attendance	<u><u>527,562.38</u></u>	<u><u>515,745.25</u></u>

Note: Starting 2013-14, Local Control Funding Formula (LCFF) replaced the previous K-12 finance system with a new funding formula which is composed of uniform base grants by grade span (K-3, 4-6, 7-8, 9-12).

See accompanying independent auditor's report.



LOS ANGELES UNIFIED SCHOOL DISTRICT
Full-Time Equivalent District Employees by Function
Last Ten Fiscal Years
(Unaudited)

	<u>2005-2006</u>	<u>2006-2007</u>	<u>2007-2008</u>
Governmental Activities:			
Instruction	52,608	52,769	51,839
Support services – students	3,091	3,060	3,459
Support services – instructional staff	5,560	5,280	5,883
Support services – general administration	209	222	220
Support services – school administration	5,870	6,045	6,097
Support services – business	1,119	1,154	1,217
Operation and maintenance of plant services	7,537	7,835	7,830
Student transportation services	1,174	1,236	1,346
Data processing services	557	722	680
Operation of noninstructional services	3,232	3,394	3,685
Facilities acquisition and construction services	937	994	1,093
Total Governmental Activities	<u>81,894</u>	<u>82,711</u>	<u>83,349</u>

See accompanying independent auditor's report.

<u>2008-2009</u>	<u>2009-2010</u>	<u>2010-2011</u>	<u>2011-2012</u>	<u>2012-2013</u>	<u>2013-2014</u>	<u>2014-2015</u>
52,317	46,896	45,115	44,907	41,817	41,944	41,550
3,455	3,226	3,057	2,810	2,700	2,785	3,164
5,332	4,105	3,970	3,137	2,652	3,008	3,600
219	193	187	195	180	184	208
6,047	5,470	4,741	4,218	3,894	3,865	4,003
1,121	1,134	880	909	1,052	1,089	1,410
8,016	6,842	6,137	6,241	5,814	6,243	6,368
1,354	1,290	1,178	1,041	1,034	1,039	1,029
571	384	357	414	442	390	138
3,976	4,604	4,702	3,186	3,046	3,033	3,036
1,090	1,077	700	844	981	1,213	1,205
<u>83,498</u>	<u>75,221</u>	<u>71,024</u>	<u>67,902</u>	<u>63,612</u>	<u>64,793</u>	<u>65,711</u>

LOS ANGELES UNIFIED SCHOOL DISTRICT
Capital Assets by Function
Last Ten Fiscal Years
(in thousands)
(Unaudited)

	<u>2005-2006</u>	<u>2006-2007</u>	<u>2007-2008</u>	<u>2008-2009</u>
Governmental Activities:				
Instruction	\$ 497,404	\$ 478,190	\$ 462,230	\$ 445,482
Support services – students	2,823	2,850	2,902	2,902
Support services – instructional staff	109,660	64,517	63,334	111,596
Support services – general administration	4,076	4,125	4,124	4,125
Support services – school administration	60,447	71,013	71,875	72,027
Support services – business	30,818	32,499	39,700	46,924
Operation and maintenance of plant services	177,094	139,831	198,985	201,531
Student transportation services	49,357	49,153	46,317	45,033
Data processing services	388,367	438,732	445,150	398,032
Operation of noninstructional services	9,977	11,806	15,574	22,463
Facilities acquisition and construction services	9,131,797	10,651,910	12,231,831	14,341,812
Total Governmental Activities	<u>\$ 10,461,820</u>	<u>\$ 11,944,626</u>	<u>\$ 13,582,022</u>	<u>\$ 15,691,927</u>

See accompanying independent auditor's report.

<u>2009-2010</u>	<u>2010-2011</u>	<u>2011-2012</u>	<u>2012-2013</u>	<u>2013-2014</u> <u>(As Restated)</u>	<u>2014-2015</u>
\$ 441,818	\$ 430,887	\$ 418,744	\$ 390,030	\$ 380,912	\$ 364,022
2,902	3,820	5,167	5,507	4,514	4,514
111,842	112,492	112,530	67,995	68,068	68,557
4,125	4,126	4,136	4,124	4,124	4,124
73,901	73,973	74,117	72,116	72,116	72,123
46,924	53,672	57,483	55,837	55,842	55,646
201,826	213,453	223,913	147,987	150,265	151,107
54,060	87,166	83,925	95,854	95,630	94,474
402,311	406,813	614,302	690,137	704,216	549,476
23,777	25,381	26,346	28,114	30,182	32,640
15,971,711	17,122,389	17,859,785	18,471,243	19,306,039	19,824,703
<u>\$17,335,197</u>	<u>\$18,534,172</u>	<u>\$ 19,480,448</u>	<u>\$ 20,028,944</u>	<u>\$ 20,871,908</u>	<u>\$ 21,221,386</u>

LOS ANGELES UNIFIED SCHOOL DISTRICT
Miscellaneous Statistical Data
Last Nine Fiscal Years
(Unaudited)

Fiscal Year:	July 1 – June 30	2006-2007	2007-2008	2008-2009	2009-2010	2010-2011	2011-2012
Enrollment by Level: (As of September)	Elementary (grades K-5/6)	308,000	295,260	289,969	282,469	281,108	277,269
	Middle/Junior High (grades 6-8)	141,745	136,315	128,528	119,534	106,097	99,726
	Senior High (grades 9-12)	167,113	165,459	161,689	155,740	154,001	142,669
	Magnet Schools/Centers (grades K-12)	53,277	52,525	53,261	56,503	56,952	58,244
	Special Education Schools (grades K-12)	3,673	3,656	3,604	3,552	3,555	3,537
	Total K-12 Enrollment	673,808	653,215	637,051	617,798	601,713	581,445
	Community Adult Schools	108,096	105,668	103,440	80,407	80,618	66,937
	Occupational Centers and Skills Centers	37,672	42,955	43,966	50,068	55,782	52,826
	Total Adult/ROC Enrollment	145,768	148,623	147,406	130,475	136,400	119,763
	Total Enrollment	819,576	801,838	784,457	748,273	738,113	701,208
	Early Education Centers	11,052	11,013	10,787	11,432	12,139	14,242
	Independent Charter Schools	34,961	41,073	51,087	60,643	69,935	82,788
Student-Teacher Ratio							
& Cost per Student:	Student Enrollment	830,320	812,851	795,244	759,705	750,252	715,450
	Teaching Staff	32,923	36,564	33,166	33,387	32,429	30,100
	Student-Teacher Ratio ⁽¹⁾	25.22 : 1	22.23 : 1	23.98 : 1	22.75 : 1	23.14 : 1	23.77 : 1
	Total Primary Government Expense (in thousands)	\$ 7,577,170	\$ 9,028,343	\$ 9,005,723	\$ 8,247,767	\$ 8,442,307	\$ 8,209,562
	Cost Per Student	\$ 9,126	\$ 11,107	\$ 11,324	\$ 10,857	\$ 11,253	\$ 11,475
Percent of Free & Reduced							
Students in Lunch Program:	Elementary	86.97 %	85.48 %	86.12 %	86.48 %	85.79 %	85.31 %
	Secondary	89.70	90.23	91.23	91.34	90.10	89.52
	Total	87.77	86.94	87.82	88.18	87.22	86.62
Number of Teachers							
by Education Level:	Bachelor's Degree (BD)	2,239	1,862	807	618	497	351
	BD + 14 semester units	1,173	894	533	489	379	300
	BD + 28 semester units	3,280	2,988	1,881	1,776	1,564	1,237
	BD + 42 semester units	3,901	3,657	2,732	2,555	2,384	1,999
	BD + 56 semester units	3,420	3,490	2,908	2,734	2,555	2,292
	BD + 70 semester units	3,124	3,327	2,986	2,861	2,736	2,458
	BD + 84 semester units	2,850	3,310	3,085	2,930	2,782	2,574
	BD + 98 semester units	7,147	10,108	10,426	11,839	11,496	10,125
	+ 15-19 years of service	2,398	3,079	4,384	3,496	3,989	4,723
	BD + 98 semester units						2,301
	+ 20-24 years of service	1,351	1,548	1,554	2,225	2,224	
	BD + 98 semester units						946
	+ 25-29 years of service	1,215	1,307	1,081	1,040	999	
	BD + 98 semester units						794
	+ 30 or more years of service	825	994	789	824	824	
	Total	32,923	36,564	33,166	33,387	32,429	30,100
	Master's Degree	9,816	12,869	12,845	13,358	13,362	12,658
	Doctorate Degree	505	599	581	601	591	580
Average Teacher Pay							
by Education Level:	Bachelor's Degree (BD)	\$ 43,352	\$ 43,757	\$ 45,474	\$ 46,186	\$ 46,699	\$ 47,561
	BD + 14 semester units	46,896	47,301	48,926	48,630	49,574	50,775
	BD + 28 semester units	50,047	50,035	52,293	51,801	52,228	53,390
	BD + 42 semester units	53,558	53,524	55,817	55,296	55,752	56,583
	BD + 56 semester units	56,982	57,067	59,095	58,574	59,036	59,884
	BD + 70 semester units	61,323	61,182	62,779	62,288	62,730	63,368
	BD + 84 semester units	64,959	64,605	66,136	65,558	66,225	67,037
	BD + 98 semester units	69,891	69,688	70,396	70,122	70,581	71,069
	+ 15-19 years of service	75,024	75,024	75,024	75,024	75,024	75,024
	BD + 98 semester units						
	+ 20-24 years of service	75,597	75,597	75,597	75,597	75,597	75,597
	BD + 98 semester units						
	+ 25-29 years of service	77,598	77,598	77,598	77,598	77,598	77,598
	BD + 98 semester units						
	+ 30 or more years of service	78,906	78,906	78,906	78,906	78,906	78,906
	Master's Degree ⁽²⁾	+584	+584	+584	+584	+584	+584
	Doctorate Degree ⁽²⁾	+1,168	+1,168	+1,168	+1,168	+1,168	+1,168

⁽¹⁾ Overall enrolled students to overall teaching staff.

⁽²⁾ Amount in addition to Bachelor's Degree pay.

Source: District's Records

Note: Beginning with Fiscal Year 2006-2007, trend data is included per recommendation of Governmental Accounting, Auditing, and Financial Reporting

See accompanying independent auditor's report.

(Continued)

LOS ANGELES UNIFIED SCHOOL DISTRICT
Miscellaneous Statistical Data
Last Nine Fiscal Years (Continued)
(Unaudited)

Fiscal Year:	July 1 – June 30	2012-2013	2013-2014	2014-2015
Enrollment by Level:	Elementary (grades K-5/6)	272,804	271,636	265,115
(As of September)	Middle/Junior High (grades 6-8)	98,437	95,444	87,895
	Senior High (grades 9-12) *	133,601	126,823	119,659
	Magnet Schools/Centers (grades K-12)	58,471	59,319	67,340
	Special Education Schools (grades K-12)	3,291	2,893	2,424
	Total K-12 Enrollment	566,604	556,115	542,433
	Adult Schools (1040 enrollment)	25,764	32,267	32,688
	Career Technical (1402 enrollment)	5,652	6,509	7,309
	Total Adult/ROC Enrollment	31,416	38,776	39,997
	Total Enrollment	598,020	594,891	582,430
	Early Education Centers	11,899	12,829	12,616
	Independent Charter Schools	88,931	95,381	101,060
Student-Teacher Ratio				
& Cost per Student:	Student Enrollment	609,919 **	607,720 **	595,046
	Teaching Staff	28,779	28,437	28,546
	Student-Teacher Ratio ⁽¹⁾	22.38 : 1	22.19 : 1	20.85 : 1
	Total Primary Government Expense (in thousands)	\$ 8,207,110	\$ 7,967,671	\$ 8,533,854
	Cost Per Student	\$ 13,456 **	\$ 13,111 **	\$ 14,342
Percent of Free & Reduced				
Students in Lunch Program:	Elementary	84.85 %	85.54 %	84.32 %
	Secondary	88.61	88.81	86.43
	Total	85.91	86.45	84.95
Number of Teachers				
by Education Level:	Bachelor's Degree (BD)	303	322	446
	BD + 14 semester units	242	290	348
	BD + 28 semester units	1,110	1,150	1,284
	BD + 42 semester units	1,867	1,967	2,077
	BD + 56 semester units	2,172	2,172	2,250
	BD + 70 semester units	2,365	2,294	2,369
	BD + 84 semester units	2,415	2,378	2,346
	BD + 98 semester units	8,779	7,597	6,493
	BD + 98 semester units + 15-19 years of service	5,438	6,021	6,521
	BD + 98 semester units + 20-24 years of service	2,438	2,652	2,537
	BD + 98 semester units + 25-29 years of service	953	940	1,279
	BD + 98 semester units + 30 or more years of service	697	654	596
	Total	28,779	28,437	28,546
	Master's Degree	12,723	12,339	12,477
	Doctorate Degree	343	542	531
Average Teacher Pay				
by Education Level:	Bachelor's Degree (BD)	\$ 47,747	\$ 47,630	\$ 48,357
	BD + 14 semester units	51,425	50,506	51,576
	BD + 28 semester units	53,980	53,506	54,748
	BD + 42 semester units	56,869	56,234	58,260
	BD + 56 semester units	60,206	60,052	62,437
	BD + 70 semester units	63,865	63,764	66,409
	BD + 84 semester units	67,312	67,321	70,597
	BD + 98 semester units	71,444	71,628	75,199
	BD + 98 semester units + 15-19 years of service	75,024	75,024	78,806
	BD + 98 semester units + 20-24 years of service	75,597	75,597	79,408
	BD + 98 semester units + 25-29 years of service	77,598	77,598	81,509
	BD + 98 semester units + 30 or more years of service	78,906	78,906	82,883
	Master's Degree ⁽²⁾	+584	+584	+584
	Doctorate Degree ⁽²⁾	+1,168	+1,168	+1,168

* Beginning with Fiscal Year 2012-2013, enrollment count includes Regional Occupational Program (ROP).

** Updated to exclude Independent Charter Schools.

⁽¹⁾ Overall enrolled students to overall teaching staff.

⁽²⁾ Amount in addition to Bachelor's Degree pay.

Source: District's Records

Note: Beginning with Fiscal Year 2006-2007, trend data is included per recommendation of Governmental Accounting, Auditing, and Financial Reporting.

See accompanying independent auditor's report.



**STATE AND FEDERAL
COMPLIANCE
INFORMATION
SECTION**

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LOS ANGELES UNIFIED SCHOOL DISTRICT
General Fund
Schedule of Principal Apportionment from the State School Fund
Year Ended June 30, 2015

	District	Affiliated Charters
Local Control Funding Formula (LCFF)		
LCFF Funded Average Daily Attendance (ADA)		
K-3 ADA	167,388.95	15,931.42
4-6 ADA	112,852.21	10,518.62
7-8 ADA	70,751.24	6,088.02
9-12 ADA	133,545.13	7,515.70
Total Funded ADA	<u>484,537.53</u>	<u>40,053.76</u>
Unduplicated Pupil Percentage	83.49%	varies by school
LCFF State Aid		
Base Grant Funding	\$ 3,780,557,059	\$ 308,249,479
Supplemental Grant Funding	631,277,417	24,517,767
Concentration Grant Funding	538,540,354	4,934,935
Add-On (Based on 2012-13 Targeted Instructional Improvement Block Grant)	460,431,314	—
Add-On (Based on 2012-13 Home-to-School Transportation)	77,587,829	—
Total LCFF Target Entitlement	<u>5,488,393,973</u>	<u>337,702,181</u>
Total LCFF Floor Entitlement	4,094,179,003	262,750,913
Current Year Gap Funding (30.16%)	420,497,489	22,605,422
Economic Recovery Target	—	247,577
Total Local Revenue or In-Lieu of Property Taxes	(863,298,866)	(67,289,512)
Education Protection Account Entitlement	<u>(690,652,978)</u>	<u>(42,964,761)</u>
Net State Aid-Current Year	<u>2,960,724,648</u>	<u>175,349,639</u>
State Aid – Prior Years	7,467	(111,171)
Principal apportionments – other state revenues		
Special education		
Current year	363,813,953	—
Prior years	10,983,846	—
Other State Apportionments		
Current year	3,056,899	—
Prior years	—	—
Total Principal Apportionment from State School Funds	<u>\$ 3,338,586,813</u>	<u>\$ 175,238,468</u>

See accompanying independent auditor's report.

LOS ANGELES UNIFIED SCHOOL DISTRICT
General Fund
Schedule of Appropriations, Expenditures and Other Uses, and Unexpended Balances
by District Defined Program
Year Ended June 30, 2015
(in thousands)

	<u>Appropriations</u>	<u>Expenditures and Other Uses</u>	<u>Unexpended Balances</u>
Regular program:			
General Program – Schools	\$ 3,387,467	\$ 3,317,905	\$ 69,562
General Program – Support Services	474,647	498,639	(23,992)
General Program – Hourly Intervention/ Remediation	2,243	2,206	37
General Program – Interfund Transfers	101,943	92,416	9,527
General Program – Options Programs	63,357	56,789	6,568
Special Education – Schools	1,355,600	1,309,571	46,029
Special Education – Support Services	88,200	84,601	3,599
Special Education – Extended Session	13,462	16,990	(3,528)
Student Integration – Schools	168,832	151,119	17,713
Student Integration – Support Services	11,589	9,891	1,698
ROC/Skill Centers – Schools	45,088	35,659	9,429
ROC/Skill Centers – Support Services	1,506	2,495	(989)
On-going & Major Maintenance – Schools	28,310	28,058	252
On-going & Major Maintenance – Support Services	79,014	79,390	(376)
Community Services	9,782	12,292	(2,510)
Reserves and Resources Allocations	88,111	5,929	82,182
Alternative Education and Work Centers	8,826	7,723	1,103
Total Regular Program	5,927,977	5,711,673	216,304
Specially Funded Programs	726,668	593,370	133,298
Total General Fund	<u>\$ 6,654,645</u>	<u>\$ 6,305,043</u>	<u>\$ 349,602</u>

See accompanying independent auditor's report.

LOS ANGELES UNIFIED SCHOOL DISTRICT
General Fund
Expenditures and Other Uses by Goal and Function
Year Ended June 30, 2015
(in thousands)

Instruction	<u>\$ 4,877,791</u>
Support Services	
Supervision of instruction	61,634
Library, media, technology and other instructional resources	4,161
School administration	274,687
Pupil support services	116,620
Pupil transportation	7,959
Data processing services	13,051
Plant maintenance and operations	525,192
Facilities rents and leases	6,143
Central administration	<u>249,209</u>
Total Support Services	<u>1,258,656</u>
Other Goals	
Community services	13,318
Child care and development services	444
Food services	<u>612</u>
Total Other Goals	<u>14,374</u>
Facilities Acquisition and Construction	<u>19,157</u>
Other Outgo	
Debt service	913
All other outgo	<u>134,152</u>
Total Other Outgo	<u>135,065</u>
Total Expenditures and Other Uses	<u><u>\$ 6,305,043</u></u>

See accompanying independent auditor's report.

LOS ANGELES UNIFIED SCHOOL DISTRICT
General Fund
Schedule of Current Expense of Education
Year Ended June 30, 2015
(in thousands)

	Total Expense for the Year	Excluded Amounts*	Current Expense of Education	Current Expense of Education per Unit of A.D.A.**
Certificated salaries	\$ 2,782,544	\$ 5,126	\$ 2,777,418	\$ 5,391.89
Classified salaries	847,220	17,209	830,011	1,611.33
Employee benefits (excluding PERS reduction)	1,564,868	52,578	1,512,290	2,935.85
Books, supplies, and equipment replacement	275,611	2,808	272,803	529.60
Services & operating expense and direct support	684,230	8,157	676,073	1,312.48
Total	<u>\$ 6,154,473</u>	<u>\$ 85,878</u>	<u>\$ 6,068,595</u>	<u>\$ 11,781.15</u>

* The excluded amounts relate to Nonagency, Community Services, Food Services, Fringe Benefits to Retirees, and Facilities Acquisition and Construction.

** Annual A.D.A. (Average Daily Attendance) used is 515,110.52. Amounts rounded to nearest cent.

Note: Computation of current expense of education was prepared according to state guidelines.

See accompanying independent auditor's report.

LOS ANGELES UNIFIED SCHOOL DISTRICT
General Fund
Schedule of Special Purpose Revenues, Expenditures, and Restricted Balances
Year Ended June 30, 2015
(in thousands)

	Balances July 1, 2014	Revenues	Expenditures	Contributions	Balances June 30, 2015
Medi-Cal Billing Options	\$ 1,923	\$ 15,292	\$ 11,329	\$ —	\$ 5,886
FEMA Public Assistance Funds	155	4	—	—	159
Cops More Program	35	—	—	—	35
School Mental Health Medi-cal Rehabilitation	5,629	2,114	2,880	—	4,863
Medi-Cal Electronic Health Record Incentive	449	21	48	—	422
California Clean Energy Jobs Act	29,728	24,119	1,735	—	52,112
Emergency Repair Program - Williams Case	—	595	595	—	—
English Language Acquisition Program, Teacher Training & Student Assistance	3,764	—	67	—	3,697
Lottery: Instructional Materials	—	23,925	23,925	—	—
Pupils with Disabilities Attending Regional Occupational Centers and Programs	—	—	1,654	1,654	—
Special Education	3,924	374,998	1,171,477	796,058	3,503
Special Education: Early Education Individuals with Exceptional Needs (Infant Program)	—	487	3,057	3,703	159
Special Education: Mental Health Services	—	36,208	36,208	—	—
Economic Impact Aid: Limited English Proficiency (LEP)	9,505	—	5,557	—	3,948
Quality Education Investment Act	28,884	80,197	67,521	—	41,560
Common Core State Standards Implement	91,127	—	110,816	19,689	—
California Energy Commission Loan Expenditures	397	31	—	—	428
Employment Training Panel-Regional Occupational Centers and Programs	30	95	101	—	24
Ongoing and Major Maintenance Account	—	2,049	107,448	107,448	2,049
Certificates of Participation (Acquisition Accounts) Proceeds	16,374	756	9,775	9	7,364
Clean Cities Grant	86	—	—	—	86
Cognitive Behavioral Intervention Therapy	380	—	26	—	354
B.E.S.T. Behavior Special Education	55	—	26	—	29
Totals	\$ 192,932	\$ 563,461	\$ 1,554,891	\$ 925,017	\$ 126,519

See accompanying independent auditor's report.

LOS ANGELES UNIFIED SCHOOL DISTRICT
Adult Education Fund
Schedule of Revenues and Other Sources, Expenditures, and Other Uses
by Function, and Changes in Fund Balance
Year Ended June 30, 2015
(in thousands)

Revenues and Other Sources:		
Local Control Funding Formula sources	\$	58,147
Federal revenues		11,544
Other state revenues		3,750
Other local revenues		1,542
Interfund Transfers		<u>3,333</u>
Total Revenues and Other Sources		<u>78,316</u>
Expenditures and Other Uses:		
Instruction		40,165
Support Services		
Supervision of instruction		7,811
School administration		13,565
Guidance and counseling services		4,360
General administration cost transfers		3,368
Plant maintenance and operations		11,235
Facilities acquisition and construction		1,371
Interfund Transfers		<u>4</u>
Total Expenditures and Other Uses		<u>81,879</u>
Excess of Revenues and Other Sources Over Expenditures and Other Uses		(3,563)
Fund Balance, July 1, 2014		<u>8,989</u>
Fund Balance, June 30, 2015	\$	<u><u>5,426</u></u>

See accompanying independent auditor's report.

LOS ANGELES UNIFIED SCHOOL DISTRICT
Child Development Fund
Schedule of Revenues and Other Sources, Expenditures, and Other Uses
by Function, and Changes in Fund Balance
Year Ended June 30, 2015
(in thousands)

Revenues and Other Sources:	
Federal revenues	\$ 25,738
Other state revenues	80,354
Other local revenues	6,473
Interfund transfers	<u>24,997</u>
Total Revenues and Other Sources	<u>137,562</u>
Expenditures and Other Uses:	
Instruction	107,762
Support Services	
Supervision of instruction	2,187
School administration	12,993
Health services	709
Food Services	2
Other general administration	6,662
Plant maintenance and operations	6,914
Facilities acquisition & construction	329
Facilities rents and leases	1
Debt Service	<u>79</u>
Total Expenditures and Other Uses	<u>137,638</u>
Excess of Revenues and Other Sources Over Expenditures and Other Uses	(76)
Fund Balance, July 1, 2014	<u>627</u>
Fund Balance, June 30, 2015	<u><u>\$ 551</u></u>

See accompanying independent auditor's report.

LOS ANGELES UNIFIED SCHOOL DISTRICT
All Funds
Schedule of Fund Equity
Year Ended June 30, 2015
(in thousands)

	General Fund	Adult Education Fund	Cafeteria Fund	Child Development Fund	Bond Interest & Redemption Fund	Tax Override Fund
Nonspendable:						
Revolving and imprest funds	\$ 2,637	\$ 31	\$ —	\$ 1	\$ —	\$ —
Inventories	18,016	—	5,654	—	—	—
Debt service	—	—	—	—	—	—
Prepays	—	—	—	—	—	—
Total Nonspendable	<u>20,653</u>	<u>31</u>	<u>5,654</u>	<u>1</u>	<u>—</u>	<u>—</u>
Restricted	<u>126,519</u>	<u>—</u>	<u>22,521</u>	<u>—</u>	<u>773,407</u>	<u>387</u>
Committed	<u>—</u>	<u>5,395</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Assigned	<u>418,424</u>	<u>—</u>	<u>—</u>	<u>550</u>	<u>—</u>	<u>—</u>
Unassigned						
Reserved for economic uncertainties	65,376	—	—	—	—	—
Unassigned	<u>188,834</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Total Unassigned	<u>254,210</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Restricted net position	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Unrestricted net position	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Total Fund Equity/Net Position	<u><u>\$ 819,806</u></u>	<u><u>\$ 5,426</u></u>	<u><u>\$ 28,175</u></u>	<u><u>\$ 551</u></u>	<u><u>\$ 773,407</u></u>	<u><u>\$ 387</u></u>

See accompanying independent auditor's report.

Capital Services Fund	Building Account – Bond Proceeds	Building Account – Measure K	Building Account – Measure R	Building Account – Measure Y	Building Fund	State School Building Lease – Purchase Fund	Special Reserve Fund
\$ —	\$ 2,990	\$ (165)	\$ 637	\$ (32)	\$ —	\$ —	\$ —
—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—
—	2,990	(165)	637	(32)	—	—	—
55,818	11,843	208,110	337,077	131,065	—	5,918	84,828
—	—	—	—	—	—	—	—
—	—	—	—	—	8,175	—	—
—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—
\$ 55,818	\$ 14,833	\$ 207,945	\$ 337,714	\$ 131,033	\$ 8,175	\$ 5,918	\$ 84,828

(Continued)

LOS ANGELES UNIFIED SCHOOL DISTRICT
All Funds
Schedule of Fund Equity (Continued)
Year Ended June 30, 2015
(in thousands)

	Special Reserve Fund – FEMA – Earthquake	Special Reserve Fund – FEMA – Hazard Mitigation	Special Reserve Fund – Community Redevelopment Agency	Capital Facilities Account Fund	County School Facilities Fund – Prop 47
Nonspendable:					
Revolving and imprest funds	\$ —	\$ —	\$ —	\$ —	\$ —
Inventories	—	—	—	—	—
Debt service	—	—	—	—	—
Prepays	—	—	—	—	—
Total Nonspendable	—	—	—	—	—
Restricted	7,124	—	52,315	—	471,136
Committed	—	—	—	—	—
Assigned	57	2,058	—	175,575	—
Unassigned					
Reserved for economic uncertainties	—	—	—	—	—
Unassigned	—	—	—	—	—
Total Unassigned	—	—	—	—	—
Restricted net position	—	—	—	—	—
Unrestricted net position	—	—	—	—	—
Total Fund Equity/Net Position	<u>\$ 7,181</u>	<u>\$ 2,058</u>	<u>\$ 52,315</u>	<u>\$ 175,575</u>	<u>\$ 471,136</u>

See accompanying independent auditor's report.

LOS ANGELES UNIFIED SCHOOL DISTRICT
All Funds
Schedule of Revenues and Other Financing Sources
Year Ended June 30, 2015
(in thousands)

		Special Revenue			
	SACS Object Code	General Fund	Adult Education	Child Development	Cafeteria
Local Control Funding Formula (LCFF) Sources:					
Principal Apportionment:					
State Aid – Current Year	8011	\$ 3,136,073	\$ —	\$ —	\$ —
Education Protection Account Entitlement	8012	733,618	—	—	—
State Aid – Prior Years	8019	(104)	—	—	—
Tax Relief Subventions:					
Homeowners' Exemptions	8021	6,929	—	—	—
Other Subventions/In-lieu of Taxes	8029	5,804	—	—	—
County & District Taxes:					
Secured Roll Taxes	8041	922,271	—	—	—
Unsecured Roll Taxes	8042	35,016	—	—	—
Prior Years' Taxes	8043	20,578	—	—	—
Supplemental Taxes	8044	23,885	—	—	—
Education Revenue Augmentation Fund (ERAF)	8045	35,339	—	—	—
Supplemental Educational Revenue Augmentation Fund (SERAF)	8046	—	—	—	—
Community Redevelopment Funds	8047	49,287	—	—	—
Penalties/Int. – Delinquent LCFF Taxes	8048	1,415	—	—	—
Miscellaneous Funds (EC 41604):					
Royalties and Bonuses	8081	—	—	—	—
Less: Non-Revenue Limit (50%) Adjustment	8089	—	—	—	—
LCFF Transfers:					
Unrestricted LCFF Transfers – Current Year	8091	(58,147)	58,147	—	—
Transfer to Charter In Lieu Property Taxes	8096	(169,857)	—	—	—
Total LCFF Sources		<u>4,742,107</u>	<u>58,147</u>	<u>—</u>	<u>—</u>
Federal Revenues:					
Special Education Entitlement	8181	121,774	—	—	—
Special Education Discretionary Grant	8182	26,846	—	—	—
Child Nutrition Programs	8220	—	—	—	306,443
Forest Reserve Funds	8260	61	—	—	—
Flood Control Funds	8270	—	—	—	—
FEMA	8281	4	—	—	—
Interagency Contracts Between LEAs	8285	3,400	—	—	—
NCLB Title I Part A, Basic Grants Low Income and Neglected	8290	308,219	—	—	—
NCLB Title I Part D, Local Delinquent Programs	8290	794	—	—	—
NCLB Title II Part A, Teacher Quality	8290	42,671	—	—	—
NCLB Title III, Limited English Proficient	8290	16,901	—	—	—
Other No Child Left Behind	8290	55,833	—	—	—
Vocational & Applied Technology Education	8290	6,713	657	—	—
Safe and Drug Free Schools	8290	63,537	—	—	—
Other Federal Revenue	8290	—	10,887	25,738	12
Total Federal Revenues		<u>646,753</u>	<u>11,544</u>	<u>25,738</u>	<u>306,455</u>

Funds	District Bond Funds				
Total	Building Account – Bond Proceeds	Building Account – Measure Y	Building Account – Measure R	Building Account – Measure K	Total
\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
—	—	—	—	—	—
—	—	—	—	—	—
—	—	—	—	—	—
—	—	—	—	—	—
—	—	—	—	—	—
—	—	—	—	—	—
—	—	—	—	—	—
—	—	—	—	—	—
—	—	—	—	—	—
—	—	—	—	—	—
—	—	—	—	—	—
—	—	—	—	—	—
—	—	—	—	—	—
58,147	—	—	—	—	—
—	—	—	—	—	—
58,147	—	—	—	—	—
—	—	—	—	—	—
—	—	—	—	—	—
306,443	—	—	—	—	—
—	—	—	—	—	—
—	—	—	—	—	—
—	—	—	1,752	—	1,752
—	—	—	—	—	—
—	—	—	—	—	—
—	—	—	—	—	—
—	—	—	—	—	—
—	—	—	—	—	—
—	—	—	—	—	—
—	—	—	—	—	—
657	—	—	—	—	—
—	—	—	—	—	—
36,637	—	—	—	—	—
343,737	—	—	1,752	—	1,752

(Continued)

LOS ANGELES UNIFIED SCHOOL DISTRICT
All Funds
Schedule of Revenues and Other Financing Sources (Continued)
Year Ended June 30, 2015
(in thousands)

		Capital Projects			
	SACS Object Code	Capital Facilities Fund	State School Building Lease – Purchase	Special Reserve	Special Reserve CRA
Local Control Funding Formula (LCFF) Sources:					
Principal Apportionment:					
State Aid – Current Year	8011	\$ —	\$ —	\$ —	\$ —
Education Protection Account Entitlement	8012	—	—	—	—
State Aid – Prior Years	8019	—	—	—	—
Tax Relief Subventions:					
Homeowners' Exemptions	8021	—	—	—	—
Other Subventions/In-lieu of Taxes	8029	—	—	—	—
County & District Taxes:					
Secured Roll Taxes	8041	—	—	—	—
Unsecured Roll Taxes	8042	—	—	—	—
Prior Years' Taxes	8043	—	—	—	—
Supplemental Taxes	8044	—	—	—	—
Education Revenue Augmentation Fund (ERAF)	8045	—	—	—	—
Supplemental Educational Revenue Augmentation Fund (SERAF)	8046	—	—	—	—
Community Redevelopment Funds	8047	—	—	—	—
Penalties/Int. – Delinquent LCFF Taxes	8048	—	—	—	—
Miscellaneous Funds (EC 41604):					
Royalties and Bonuses	8081	—	—	—	—
Less: Non-Revenue Limit (50%) Adjustment	8089	—	—	—	—
LCFF Transfers:					
Unrestricted LCFF Transfers – Current Year	8091	—	—	—	—
Transfer to Charter In Lieu Property Taxes	8096	—	—	—	—
Total LCFF Sources		—	—	—	—
Federal Revenues:					
Special Education Entitlement	8181	—	—	—	—
Special Education Discretionary Grant	8182	—	—	—	—
Child Nutrition Programs	8220	—	—	—	—
Forest Reserve Funds	8260	—	—	—	—
Flood Control Funds	8270	—	—	—	—
FEMA	8281	—	—	—	—
Interagency Contracts Between LEAs	8285	—	—	—	—
NCLB Title I Part A, Basic Grants Low Income and Neglected	8290	—	—	—	—
NCLB Title I Part D, Local Delinquent Programs	8290	—	—	—	—
NCLB Title II Part A, Teacher Quality	8290	—	—	—	—
NCLB Title III, Limited English Proficient	8290	—	—	—	—
Other No Child Left Behind	8290	—	—	—	—
Vocational & Applied Technology Education	8290	—	—	—	—
Safe and Drug Free Schools	8290	—	—	—	—
Other Federal Revenue	8290	—	—	—	—
Total Federal Revenues		—	—	—	—

(Continued)

LOS ANGELES UNIFIED SCHOOL DISTRICT
All Funds
Schedule of Revenues and Other Financing Sources (Continued)
Year Ended June 30, 2015
(in thousands)

		Internal Service Funds			
	SACS Object Code	Health and Welfare Benefits	Workers' Compensation	Liability	
Local Control Funding Formula (LCFF) Sources:					
Principal Apportionment:					
State Aid – Current Year	8011	\$ —	\$ —	\$ —	
Education Protection Account Entitlement	8012	—	—	—	
State Aid – Prior Years	8019	—	—	—	
Tax Relief Subventions:					
Homeowners' Exemptions	8021	—	—	—	
Other Subventions/In-lieu of Taxes	8029	—	—	—	
County & District Taxes:					
Secured Roll Taxes	8041	—	—	—	
Unsecured Roll Taxes	8042	—	—	—	
Prior Years' Taxes	8043	—	—	—	
Supplemental Taxes	8044	—	—	—	
Education Revenue Augmentation Fund (ERAF)	8045	—	—	—	
Supplemental Educational Revenue Augmentation Fund (SERAF)	8046	—	—	—	
Community Redevelopment Funds	8047	—	—	—	
Penalties/Int. – Delinquent LCFF Taxes	8048	—	—	—	
Miscellaneous Funds (EC 41604):					
Royalties and Bonuses	8081	—	—	—	
Less: Non-Revenue Limit (50%) Adjustment	8089	—	—	—	
LCFF Transfers:					
Unrestricted LCFF Transfers – Current Year	8091	—	—	—	
Transfer to Charter In Lieu Property Taxes	8096	—	—	—	
Total LCFF Sources		—	—	—	
Federal Revenues:					
Special Education Entitlement	8181	—	—	—	
Special Education Discretionary Grant	8182	—	—	—	
Child Nutrition Programs	8220	—	—	—	
Forest Reserve Funds	8260	—	—	—	
Flood Control Funds	8270	—	—	—	
FEMA	8281	—	—	—	
Interagency Contracts Between LEAs	8285	—	—	—	
NCLB Title I Part A, Basic Grants Low Income and Neglected	8290	—	—	—	
NCLB Title I Part D, Local Delinquent Programs	8290	—	—	—	
NCLB Title II Part A, Teacher Quality	8290	—	—	—	
NCLB Title III, Limited English Proficient	8290	—	—	—	
Other No Child Left Behind	8290	—	—	—	
Vocational & Applied Technology Education	8290	—	—	—	
Safe and Drug Free Schools	8290	—	—	—	
Other Federal Revenue	8290	—	—	—	
Total Federal Revenues		—	—	—	

<hr/>			
Total		OPEB Trust Fund	Total
<hr/>			<hr/>
\$	—	\$	—
	—		3,136,073
	—		733,618
			(104)
			6,929
			5,804
			922,271
			35,016
			20,578
			23,885
			35,339
			—
			49,287
			1,415
			—
			—
			—
			(169,857)
			<hr/>
			4,800,254
			<hr/>
			121,774
			26,846
			306,443
			61
			—
			1,756
			3,400
			308,219
			794
			42,671
			16,901
			55,833
			7,370
			63,537
			105,611
			<hr/>
			1,061,216
			<hr/>

(Continued)

LOS ANGELES UNIFIED SCHOOL DISTRICT
All Funds
Schedule of Revenues and Other Financing Sources (Continued)
Year Ended June 30, 2015
(in thousands)

	SACS Object Code	General Fund	Special Revenue		
			Adult Education	Child Development	Cafeteria
Other State Revenues:					
Other State Apportionments:					
Spec. Ed. Master Plan:					
Current Year	8311	\$ 363,814	\$ —	\$ —	\$ —
Prior Years	8319	10,984	—	—	—
All Other State Apportionments – Current Year	8311	3,057	—	—	—
All Other State Apportionments – Prior Year	8319	—	—	—	—
Child Nutrition Programs	8520	—	—	—	22,737
School Facilities Apportionments	8545	—	—	—	—
Mandated Costs Reimbursements	8550	53,568	—	—	—
Lottery – Unrestricted and Instructional Materials	8560	106,914	—	—	—
Voted Indebtedness Levies Homeowners' Exemptions	8571	—	—	—	—
Other Subventions/In-Lieu Taxes	8572	—	—	—	—
After School Education and Safety (ASES)	8590	75,449	—	—	—
Drug/Alcohol/Tobacco Funds	8590	1,153	—	—	—
California Clean Energy Act	8590	24,015	—	—	—
Specialized Secondary	8590	24	—	—	—
Healthy Start	8590	—	—	—	—
Quality Education Investment Act	8590	80,197	—	—	—
Common Core State Standards Implementation	8590	—	—	—	—
State Preschool	8590	—	—	—	—
All Other State Revenue	8590	186,246	3,750	80,354	—
Total Other State Revenues		905,421	3,750	80,354	22,737
Other Local Revenues:					
County and District Taxes:					
Other Restricted & Voted Indebtedness Levies:					
Secured Roll	8611	—	—	—	—
Unsecured Roll	8612	—	—	—	—
Prior Years' Taxes	8613	—	—	—	—
Supplemental Taxes	8614	—	—	—	—
Community Redevelopment Funds not					
Subject to Revenue LCFF Deductions	8625	—	—	—	—
Penalties and Interest from Delinquent Non-LCFF Taxes	8629	—	—	—	—
Sales:					
Sale of Equipment/Supplies	8631	525	—	—	—
Food Service Sales	8634	—	—	—	7,243
All Other Sales	8639	—	—	—	—
Leases and Rentals	8650	16,462	—	—	—
Interest	8660	4,778	99	35	54
Net Increase (Decrease) in the Fair Value of Investments	8662	—	—	—	—
Fees and Contracts:					
Adult Education Fees	8671	—	314	—	—
Non-Resident Students	8672	711	—	—	—
Child Development Parent Fees	8673	—	—	3,183	—
In-District Premiums/Contributions	8674	—	—	—	—
Interagency Service Fees	8677	557	—	726	—

Funds		District Bond			Funds	
		Building Account – Bond Proceeds	Building Account – Measure Y	Building Account – Measure R	Building Account – Measure K	
Total						Total
\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
—	—	—	—	—	—	—
—	—	—	—	—	—	—
—	—	—	—	—	—	—
22,737	—	—	—	—	—	—
—	—	—	—	—	—	—
—	—	—	—	—	—	—
—	—	—	—	—	—	—
—	—	—	—	—	—	—
—	—	—	—	—	—	—
—	—	—	—	—	—	—
—	—	—	—	—	—	—
—	—	—	—	—	—	—
—	—	—	—	—	—	—
—	—	—	—	—	—	—
84,104	—	—	—	—	—	—
106,841	—	—	—	—	—	—
—	—	—	—	—	—	—
—	—	—	—	—	—	—
—	—	—	—	—	—	—
—	—	—	—	—	—	—
—	—	—	—	—	—	—
—	—	—	—	—	—	—
7,243	—	—	—	—	—	—
—	—	—	—	—	—	—
—	—	—	—	—	—	—
188	163	2,021	3,226	1,616	7,026	—
—	—	—	—	—	—	—
314	—	—	—	—	—	—
—	—	—	—	—	—	—
3,183	—	—	—	—	—	—
—	—	—	—	—	—	—
726	—	—	—	—	—	—

(Continued)

LOS ANGELES UNIFIED SCHOOL DISTRICT
All Funds
Schedule of Revenues and Other Financing Sources (Continued)
Year Ended June 30, 2015
(in thousands)

		Capital Projects			
		SACS Object Code	Capital Facilities Fund	State School Building Lease – Purchase	Special Reserve CRA
Other State Revenues:					
Other State Apportionments:					
Spec. Ed. Master Plan:					
Current Year	8311	\$	—	\$	—
Prior Years	8319		—		—
All Other State Apportionments – Current Year	8311		—		—
All Other State Apportionments – Prior Year	8319		—		—
Child Nutrition Programs	8520		—		—
School Facilities Apportionments	8545		—	1,567	—
Mandated Costs Reimbursements	8550		—		—
Lottery – Unrestricted and Instructional Materials	8560		—		—
Voted Indebtedness Levies Homeowners' Exemptions	8571		—		—
Other Subventions/In-Lieu Taxes	8572		—		—
After School Education and Safety (ASES)	8590		—		—
Drug/Alcohol/Tobacco Funds	8590		—		—
California Clean Energy Act	8590		—		—
Specialized Secondary	8590		—		—
Healthy Start	8590		—		—
Quality Education Investment Act	8590		—		—
Common Core State Standards Implementation	8590		—		—
State Preschool	8590		—		—
All Other State Revenue	8590		—		—
Total Other State Revenues			—	1,567	—
Other Local Revenues:					
County and District Taxes:					
Other Restricted & Voted Indebtedness Levies:					
Secured Roll	8611		—		—
Unsecured Roll	8612		—		—
Prior Years' Taxes	8613		—		—
Supplemental Taxes	8614		—		—
Community Redevelopment Funds not Subject to Revenue LCFF Deductions	8625		—		23,230
Penalties and Interest from Delinquent Non-LCFF Taxes	8629		—		—
Sales:					
Sale of Equipment/Supplies	8631		—		—
Food Service Sales	8634		—		—
All Other Sales	8639		—		—
Leases and Rentals	8650		—		—
Interest	8660		1,140	89	259
Net Increase (Decrease) in the Fair Value of Investments	8662		—		—
Fees and Contracts:					
Adult Education Fees	8671		—		—
Non-Resident Students	8672		—		—
Child Development Parent Fees	8673		—		—
In-District Premiums/Contributions	8674		—		—
Interagency Service Fees	8677		—		—

Funds					Debt Service Funds			
Special Reserve FEMA	Special Reserve Hazard Mitigation	Building Fund	Total	County School Facilities	Bond Interest and Redemption	Tax Override	Capital Services	Total
\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—
—	—	—	1,567	15,447	—	—	—	—
—	—	—	—	—	—	—	—	—
—	—	—	—	—	4,374	—	—	4,374
—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—
—	—	—	1,567	15,447	4,374	—	—	4,374
—	—	—	—	—	727,158	—	—	727,158
—	—	—	—	—	31,645	—	—	31,645
—	—	—	—	—	17,648	—	—	17,648
—	—	—	—	—	23,342	—	—	23,342
—	—	—	23,230	—	—	—	—	—
—	—	—	—	—	4,436	—	—	4,436
—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—
51	15	3,381	3,381	—	—	—	—	—
—	—	43	2,127	3,456	2,443	3	226	2,672
—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—

(Continued)

LOS ANGELES UNIFIED SCHOOL DISTRICT
All Funds
Schedule of Revenues and Other Financing Sources (Continued)
Year Ended June 30, 2015
(in thousands)

	SACS Object Code	Internal Service Funds		
		Health and Welfare Benefits	Workers' Compensation	Liability
Other State Revenues:				
Other State Apportionments:				
Spec. Ed. Master Plan:				
Current Year	8311	\$ —	\$ —	\$ —
Prior Years	8319	—	—	—
All Other State Apportionments – Current Year	8311	—	—	—
All Other State Apportionments – Prior Year	8319	—	—	—
Child Nutrition Programs	8520	—	—	—
School Facilities Apportionments	8545	—	—	—
Mandated Costs Reimbursements	8550	—	—	—
Lottery – Unrestricted and Instructional Materials	8560	—	—	—
Voted Indebtedness Levies Homeowners' Exemptions	8571	—	—	—
Other Subventions/In-Lieu Taxes	8572	—	—	—
After School Education and Safety (ASES)	8590	—	—	—
Drug/Alcohol/Tobacco Funds	8590	—	—	—
California Clean Energy Act	8590	—	—	—
Specialized Secondary	8590	—	—	—
Healthy Start	8590	—	—	—
Quality Education Investment Act	8590	—	—	—
Common Core State Standards Implementation	8590	—	—	—
State Preschool	8590	—	—	—
All Other State Revenue	8590	—	—	—
Total Other State Revenues		—	—	—
Other Local Revenues:				
County and District Taxes:				
Other Restricted & Voted Indebtedness Levies:				
Secured Roll	8611	—	—	—
Unsecured Roll	8612	—	—	—
Prior Years' Taxes	8613	—	—	—
Supplemental Taxes	8614	—	—	—
Community Redevelopment Funds not Subject to Revenue LCFF Deductions	8625	—	—	—
Penalties and Interest from Delinquent Non-LCFF Taxes	8629	—	—	—
Sales:				
Sale of Equipment/Supplies	8631	—	—	—
Food Service Sales	8634	—	—	—
All Other Sales	8639	—	—	—
Leases and Rentals	8650	—	—	—
Interest	8660	2,426	2,841	1,182
Net Increase (Decrease) in the Fair Value of Investments	8662	—	—	—
Fees and Contracts:				
Adult Education Fees	8671	—	—	—
Non-Resident Students	8672	—	—	—
Child Development Parent Fees	8673	—	—	—
In-District Premiums/Contributions	8674	948,454	180,279	53,589
Interagency Service Fees	8677	—	—	—

	Total	OPEB Trust Fund	Total
\$	—	—	363,814
	—	—	10,984
	—	—	3,057
	—	—	—
	—	—	22,737
	—	—	17,014
	—	—	53,568
	—	—	106,914
	—	—	4,374
	—	—	—
	—	—	75,449
	—	—	1,153
	—	—	24,015
	—	—	24
	—	—	—
	—	—	80,197
	—	—	—
	—	—	—
	—	—	270,350
	—	—	1,033,650

	—	—	727,158
	—	—	31,645
	—	—	17,648
	—	—	23,342
	—	—	23,230
	—	—	4,436
	—	—	525
	—	—	7,243
	—	—	—
	—	—	19,843
6,449	—	—	26,696
—	239	—	239
	—	—	314
	—	—	711
	—	—	3,183
1,182,322	30,000	—	1,212,322
—	—	—	1,283

(Continued)

LOS ANGELES UNIFIED SCHOOL DISTRICT
All Funds
Schedule of Revenues and Other Financing Sources (Continued)
Year Ended June 30, 2015
(in thousands)

		Special Revenue			
	SACS Object Code	General Fund	Adult Education	Child Development	Cafeteria
Mitigation/Developer Fees	8681	\$ —	\$ —	\$ —	\$ —
All Other Fees and Contracts	8689	34,246	—	—	—
All Other Local Revenue	8699	68,453	1,129	2,529	3
Tuition	8710	56	—	—	—
All Other Transfers In	8781	—	—	—	—
Total Other Local Revenues		<u>125,788</u>	<u>1,542</u>	<u>6,473</u>	<u>7,300</u>
Subtotal – Revenues		<u>6,420,069</u>	<u>74,983</u>	<u>112,565</u>	<u>336,492</u>
Other Financing Sources:					
Interfund Transfers In:					
From General Fund to Child Development Fund	8911	—	—	24,997	—
From Special Reserve Fund	8912	2,139	—	—	—
From All Other Funds to State School Building Fund/ County School Facilities Fund	8913	—	—	—	—
From General Fund to Cafeteria Fund	8916	—	—	—	50,000
Other Authorized Interfund Transfer In	8919	996	3,333	—	1,299
Subtotal, Interfund Transfers In		<u>3,135</u>	<u>3,333</u>	<u>24,997</u>	<u>51,299</u>
Other Sources:					
Proceeds from Sale of Bonds	8951	—	—	—	—
Proceeds from Sale/Lease-Purchase of Lands/Buildings	8953	—	—	—	—
Proceeds from Capital Leases	8972	637	—	—	—
All Other Financing Sources	8979	758	—	—	—
Subtotal, Other Sources		<u>1,395</u>	<u>—</u>	<u>—</u>	<u>—</u>
Total Other Financing Sources		<u>4,530</u>	<u>3,333</u>	<u>24,997</u>	<u>51,299</u>
Total Revenues and Other Financing Sources		<u>\$ 6,424,599</u>	<u>\$ 78,316</u>	<u>\$ 137,562</u>	<u>\$ 387,791</u>

Funds	District Bond Funds				
Total	Building Account – Bond Proceeds	Building Account – Measure Y	Building Account – Measure R	Building Account – Measure K	Total
\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
—	—	—	—	—	—
3,661	—	4,700	15,681	—	20,381
—	—	—	—	—	—
—	—	—	—	—	—
15,315	163	6,721	18,907	1,616	27,407
524,040	163	6,721	20,659	1,616	29,159
24,997	—	—	—	—	—
—	—	—	—	—	—
—	—	—	—	—	—
50,000	—	—	—	—	—
4,632	2,018	54,251	57,912	9,146	123,327
79,629	2,018	54,251	57,912	9,146	123,327
—	—	60,615	75,215	—	135,830
—	—	—	—	—	—
—	—	—	—	—	—
—	—	—	—	—	—
—	—	60,615	75,215	—	135,830
79,629	2,018	114,866	133,127	9,146	259,157
\$ 603,669	\$ 2,181	\$ 121,587	\$ 153,786	\$ 10,762	\$ 288,316

(Continued)

LOS ANGELES UNIFIED SCHOOL DISTRICT
All Funds
Schedule of Revenues and Other Financing Sources (Continued)
Year Ended June 30, 2015
(in thousands)

		Capital Projects			
	SACS Object Code	Capital Facilities Fund	State School Building Lease – Purchase	Special Reserve	Special Reserve CRA
Mitigation/Developer Fees	8681	\$ 77,808	\$ —	\$ —	\$ —
All Other Fees and Contracts	8689	—	—	—	—
All Other Local Revenue	8699	—	—	13,072	—
Tuition	8710	—	—	—	—
All Other Transfers In	8781	—	—	—	—
Total Other Local Revenues		<u>78,948</u>	<u>89</u>	<u>13,602</u>	<u>23,489</u>
Subtotal – Revenues		<u>78,948</u>	<u>1,656</u>	<u>13,602</u>	<u>23,489</u>
Other Financing Sources:					
Interfund Transfers In:					
From General Fund to Child Development Fund	8911	—	—	—	—
From Special Reserve Fund	8912	—	—	—	—
From All Other Funds to State School Building Fund/ County School Facilities Fund	8913	—	—	—	—
From General Fund to Cafeteria Fund	8916	—	—	—	—
Other Authorized Interfund Transfer In	8919	—	—	46,139	—
Subtotal, Interfund Transfers In		<u>—</u>	<u>—</u>	<u>46,139</u>	<u>—</u>
Other Sources:					
Proceeds from Sale of Bonds	8951	—	—	—	—
Proceeds from Sale/Lease-Purchase of Lands/Buildings	8953	—	—	139	—
Proceeds from Capital Leases	8972	—	—	—	—
All Other Financing Sources	8979	—	—	—	—
Subtotal, Other Sources		<u>—</u>	<u>—</u>	<u>139</u>	<u>—</u>
Total Other Financing Sources		<u>—</u>	<u>—</u>	<u>46,278</u>	<u>—</u>
Total Revenues and Other Financing Sources		<u>\$ 78,948</u>	<u>\$ 1,656</u>	<u>\$ 59,880</u>	<u>\$ 23,489</u>

Funds				Debt Service Funds				
Special Reserve FEMA	Special Reserve Hazard Mitigation	Building Fund	Total	County School Facilities	Bond Interest and Redemption	Tax Override	Capital Services	Total
\$ —	\$ —	\$ —	\$ 77,808	\$ —	\$ —	\$ —	\$ —	\$ —
—	—	—	—	—	—	—	—	—
—	—	—	13,072	—	6	—	—	6
—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—
51	15	3,424	119,618	3,456	806,678	3	226	806,907
51	15	3,424	121,185	18,903	879,457	3	795	880,255
—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—
—	—	—	—	1,956	—	—	—	—
—	—	—	—	—	—	—	—	—
—	—	440	46,579	—	—	—	50,051	50,051
—	—	440	46,579	1,956	—	—	50,051	50,051
—	—	—	—	—	—	—	—	—
—	—	—	139	—	—	—	—	—
—	—	—	—	—	—	—	—	—
—	—	—	—	—	395,166	—	—	395,166
—	—	—	139	—	395,166	—	—	395,166
—	—	440	46,718	1,956	395,166	—	50,051	445,217
\$ 51	\$ 15	\$ 3,864	\$ 167,903	\$ 20,859	\$ 1,274,623	\$ 3	\$ 50,846	\$ 1,325,472

(Continued)

LOS ANGELES UNIFIED SCHOOL DISTRICT
All Funds
Schedule of Revenues and Other Financing Sources (Continued)
Year Ended June 30, 2015
(in thousands)

		Internal Service Funds		
	SACS Object Code	Health and Welfare Benefits	Workers' Compensation	Liability
Mitigation/Developer Fees	8681	\$ —	\$ —	\$ —
All Other Fees and Contracts	8689	—	—	—
All Other Local Revenue	8699	396		
Tuition	8710	—	—	—
All Other Transfers In	8781	—	—	—
Total Other Local Revenues		<u>951,276</u>	<u>183,120</u>	<u>54,771</u>
Subtotal – Revenues		<u>951,276</u>	<u>183,120</u>	<u>54,771</u>
Other Financing Sources:				
Interfund Transfers In:				
From General Fund to Child Development Fund	8911	—	—	—
From Special Reserve Fund	8912	—	—	—
From All Other Funds to State School Building Fund/ County School Facilities Fund	8913	—	—	—
From General Fund to Cafeteria Fund	8916	—	—	—
Other Authorized Interfund Transfer In	8919	10,141	—	—
Subtotal, Interfund Transfers In		<u>10,141</u>	<u>—</u>	<u>—</u>
Other Sources:				
Proceeds from Sale of Bonds	8951	—	—	—
Proceeds from Sale/Lease-Purchase of Lands/Buildings	8953	—	—	—
Proceeds from Capital Leases	8972	—	—	—
All Other Financing Sources	8979	—	—	—
Subtotal, Other Sources		<u>—</u>	<u>—</u>	<u>—</u>
Total Other Financing Sources		<u>10,141</u>	<u>—</u>	<u>—</u>
Total Revenues and Other Financing Sources		<u>\$ 961,417</u>	<u>\$ 183,120</u>	<u>\$ 54,771</u>

Total	OPEB Trust Fund	Total
\$ —	\$ —	\$ 77,808
—	—	34,246
396	—	105,969
—	—	56
—	—	—
1,189,167	30,239	2,317,897
1,189,167	30,239	9,213,017
—	—	24,997
—	—	2,139
—	—	1,956
—	—	50,000
10,141	—	235,726
10,141	—	314,818
—	—	135,830
—	—	139
—	—	637
—	—	395,924
—	—	532,530
10,141	—	847,348
<u>\$ 1,199,308</u>	<u>\$ 30,239</u>	<u>\$ 10,060,365</u>

LOS ANGELES UNIFIED SCHOOL DISTRICT

Organization Structure

Year Ended June 30, 2015

Geographical Location: The Los Angeles Unified School District is a political subdivision of the State of California. It is located in the western section of Los Angeles County and includes virtually all the city of Los Angeles and all or significant portions of the cities of Bell, Carson, Commerce, Cudahy, Gardena, Hawthorne, Huntington Park, Lomita, Maywood, Rancho Palos Verdes, San Fernando, South Gate, Vernon, and West Hollywood, 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 district to serve alternating four-year terms.

Name	Expiration of Term
Steve Zimmer, President	June 30, 2017
George McKenna	June 30, 2019
Mónica García	June 30, 2017
Scott Schmerelson	June 30, 2019
Ref Rodriguez	June 30, 2019
Mónica Ratliff	June 30, 2017
Richard Vladovic	June 30, 2019

Name	Title
Ramon C. Cortines	Superintendent of Schools (effective October 20, 2014)
John Deasy	Superintendent of Schools (April 18, 2011 – October 15, 2014)
Michelle King	Chief Deputy Superintendent of Schools
Ruth Perez	Deputy Superintendent of Instruction (effective October 22, 2014)
Matt Hill	Chief Strategy Officer (resigned effective June 2, 2015)
Diane Pappas	Chief Strategy Officer (effective November 3, 2014)
Mark Hovatter	Chief Facilities Executive
Justo Avila	Chief Human Resources Officer
Megan Reilly	Chief Financial Officer
Thelma Melendez	Chief Executive Officer (effective December 1, 2014)
Enrique Boull't	Chief Operating Officer (retired effective December 1, 2014)
Earl Perkins	Assistant Superintendent of School Operations
George Silva	Chief Procurement Officer
Kenneth Bramlett	Inspector General
David Holmquist	General Counsel
Steven Zipperman	Chief of School Police
Janalyn Glymph	Personnel Director (retired effective August 18, 2015)
Karla Gould	Personnel Director (effective August 18, 2015)

Date of Establishment: 1854 as the Common Schools for the City of Los Angeles and became a unified school district in 1960.

Fiscal Year: July 1 – June 30

Number of Schools:	(As of October)	2011-2012	2012-2013	2013-2014	2014-2015
Elementary Schools		446	456	457	455
Middle/Junior High Schools		84	86	83	84
Senior High Schools		94	106	100	96
Options Schools		56	56	55	55
Special Education Schools		16	16	15	15
Magnet Schools		28	28	34	39
Magnet Centers		146	145	148	152
Community Adult Schools		24	6	6	6
Regional Occupational Centers		5	3	3	3
Skills Centers		5	1	1	1
Regional Occupational Program		1	1	1	1
Early Education Centers		107	82	86	86
Infant Centers		4	4	4	4
Primary School Centers		20	18	18	18
Multi-level Schools		18	21	22	20
Total Schools and Centers		1,054	1,029	1,033	1,035
Independent Charter Schools		179	185	196	211

See accompanying independent auditor's report.

LOS ANGELES UNIFIED SCHOOL DISTRICT
Schedule of Average Daily Attendance/Hours of Attendance
Year Ended June 30, 2015

	<u>Second Period Report</u>	<u>Annual Report</u>
District		
K-3	164,158.87	163,766.40
Grades 4-6	112,633.14	112,308.60
Grades 7-8	68,577.40	68,415.44
Grades 9-12	131,793.92	130,676.24
Total District	<u>477,163.33</u>	<u>475,166.68</u>
County		
K-3	0.00	0.00
Grades 4-6	1.44	1.38
Grades 7-8	5.46	5.12
Grades 9-12	632.32	628.23
Total County	<u>639.22</u>	<u>634.73</u>
Affiliated Charter Schools		
K-3	15,931.42	15,913.38
Grades 4-6	10,518.62	10,505.83
Grades 7-8	6,088.02	6,070.36
Grades 9-12	7,515.70	7,454.27
Total Affiliated Charter Schools	<u>40,053.76</u>	<u>39,943.84</u>
Total Average Daily Attendance	<u><u>517,856.31</u></u>	<u><u>515,745.25</u></u>

See accompanying independent auditor's report.

LOS ANGELES UNIFIED SCHOOL DISTRICT
Schedule of Average Daily Attendance
Year Ended June 30, 2015

Alexander (Dr. Theodore, Jr.) Science Center – 0102491

	Second Period Report	Annual Report
TK/K to Grade 3 ADA – Total	446.91	445.36
TK/K to Grade 3 ADA – Classroom-based	446.91	445.36
Grades 4-6 ADA – Total	183.40	183.28
Grades 4-6 ADA – Classroom-based	183.40	183.28
Grades 7-8 ADA – Total	0.00	0.00
Grades 7-8 ADA – Classroom-based	0.00	0.00
Grades 9-12 ADA – Total	0.00	0.00
Grades 9-12 ADA – Classroom-based	0.00	0.00
Total ADA	<u>630.31</u>	<u>628.64</u>
Classroom-based ADA	<u>630.31</u>	<u>628.64</u>

See accompanying independent auditor's report.

LOS ANGELES UNIFIED SCHOOL DISTRICT
Schedule of Average Daily Attendance
Year Ended June 30, 2015

Beckford Charter for Enriched Studies – 6015986

	Second Period Report	Annual Report
TK/K to Grade 3 ADA – Total	393.36	393.64
TK/K to Grade 3 ADA – Classroom-based	393.36	393.64
Grades 4-6 ADA – Total	205.64	205.28
Grades 4-6 ADA – Classroom-based	205.64	205.28
Grades 7-8 ADA – Total	0.00	0.00
Grades 7-8 ADA – Classroom-based	0.00	0.00
Grades 9-12 ADA – Total	0.00	0.00
Grades 9-12 ADA – Classroom-based	0.00	0.00
Total ADA	<u>599.00</u>	<u>598.92</u>
Classroom-based ADA	<u>599.00</u>	<u>598.92</u>

See accompanying independent auditor's report.

LOS ANGELES UNIFIED SCHOOL DISTRICT
Schedule of Average Daily Attendance
Year Ended June 30, 2015

Calabash Charter Academy – 6016240

	Second Period Report	Annual Report
TK/K to Grade 3 ADA – Total	282.61	280.41
TK/K to Grade 3 ADA – Classroom-based	282.61	280.41
Grades 4-6 ADA – Total	132.13	132.95
Grades 4-6 ADA – Classroom-based	132.13	132.95
Grades 7-8 ADA – Total	0.00	0.00
Grades 7-8 ADA – Classroom-based	0.00	0.00
Grades 9-12 ADA – Total	0.00	0.00
Grades 9-12 ADA – Classroom-based	0.00	0.00
Total ADA	<u>414.74</u>	<u>413.36</u>
Classroom-based ADA	<u>414.74</u>	<u>413.36</u>

See accompanying independent auditor's report.

LOS ANGELES UNIFIED SCHOOL DISTRICT
Schedule of Average Daily Attendance
Year Ended June 30, 2015

Calahan Community Charter – 6016257

	Second Period Report	Annual Report
TK/K to Grade 3 ADA – Total	418.22	417.03
TK/K to Grade 3 ADA – Classroom-based	418.22	417.03
Grades 4-6 ADA – Total	162.94	162.56
Grades 4-6 ADA – Classroom-based	162.94	162.56
Grades 7-8 ADA – Total	0.00	0.00
Grades 7-8 ADA – Classroom-based	0.00	0.00
Grades 9-12 ADA – Total	0.00	0.00
Grades 9-12 ADA – Classroom-based	0.00	0.00
Total ADA	<u>581.16</u>	<u>579.59</u>
Classroom-based ADA	<u>581.16</u>	<u>579.59</u>

See accompanying independent auditor's report.

LOS ANGELES UNIFIED SCHOOL DISTRICT
Schedule of Average Daily Attendance
Year Ended June 30, 2015

Calvert Charter for Enriched Studies – 6016265

	Second Period Report	Annual Report
TK/K to Grade 3 ADA – Total	219.13	218.49
TK/K to Grade 3 ADA – Classroom-based	219.13	218.49
Grades 4-6 ADA – Total	106.85	106.21
Grades 4-6 ADA – Classroom-based	106.85	106.21
Grades 7-8 ADA – Total	0.00	0.00
Grades 7-8 ADA – Classroom-based	0.00	0.00
Grades 9-12 ADA – Total	0.00	0.00
Grades 9-12 ADA – Classroom-based	0.00	0.00
Total ADA	<u>325.98</u>	<u>324.70</u>
Classroom-based ADA	<u>325.98</u>	<u>324.70</u>

See accompanying independent auditor's report.

LOS ANGELES UNIFIED SCHOOL DISTRICT
Schedule of Average Daily Attendance
Year Ended June 30, 2015

Canyon Charter School – 6016323

	Second Period Report	Annual Report
TK/K to Grade 3 ADA – Total	256.18	256.18
TK/K to Grade 3 ADA – Classroom-based	256.18	256.18
Grades 4-6 ADA – Total	134.44	134.46
Grades 4-6 ADA – Classroom-based	134.44	134.46
Grades 7-8 ADA – Total	0.00	0.00
Grades 7-8 ADA – Classroom-based	0.00	0.00
Grades 9-12 ADA – Total	0.00	0.00
Grades 9-12 ADA – Classroom-based	0.00	0.00
Total ADA	<u>390.62</u>	<u>390.64</u>
Classroom-based ADA	<u>390.62</u>	<u>390.64</u>

See accompanying independent auditor's report.

LOS ANGELES UNIFIED SCHOOL DISTRICT
Schedule of Average Daily Attendance
Year Ended June 30, 2015

Carpenter Community Charter School – 6016356

	Second Period Report	Annual Report
TK/K to Grade 3 ADA – Total	647.63	647.99
TK/K to Grade 3 ADA – Classroom-based	647.63	647.99
Grades 4-6 ADA – Total	271.65	272.58
Grades 4-6 ADA – Classroom-based	271.65	272.58
Grades 7-8 ADA – Total	0.00	0.00
Grades 7-8 ADA – Classroom-based	0.00	0.00
Grades 9-12 ADA – Total	0.00	0.00
Grades 9-12 ADA – Classroom-based	0.00	0.00
Total ADA	<u>919.28</u>	<u>920.57</u>
Classroom-based ADA	<u>919.28</u>	<u>920.57</u>

See accompanying independent auditor's report.

LOS ANGELES UNIFIED SCHOOL DISTRICT
Schedule of Average Daily Attendance
Year Ended June 30, 2015

Castlebay Lane Elementary School – 6071435

	Second Period Report	Annual Report
TK/K to Grade 3 ADA – Total	546.66	544.79
TK/K to Grade 3 ADA – Classroom-based	546.66	544.79
Grades 4-6 ADA – Total	232.20	231.86
Grades 4-6 ADA – Classroom-based	232.20	231.86
Grades 7-8 ADA – Total	0.00	0.00
Grades 7-8 ADA – Classroom-based	0.00	0.00
Grades 9-12 ADA – Total	0.00	0.00
Grades 9-12 ADA – Classroom-based	0.00	0.00
Total ADA	<u>778.86</u>	<u>776.65</u>
Classroom-based ADA	<u>778.86</u>	<u>776.65</u>

See accompanying independent auditor's report.

LOS ANGELES UNIFIED SCHOOL DISTRICT
Schedule of Average Daily Attendance
Year Ended June 30, 2015

Chandler Learning Academy – 6016422

	Second Period Report	Annual Report
TK/K to Grade 3 ADA – Total	334.77	333.64
TK/K to Grade 3 ADA – Classroom-based	334.77	333.64
Grades 4-6 ADA – Total	139.01	138.75
Grades 4-6 ADA – Classroom-based	139.01	138.75
Grades 7-8 ADA – Total	0.00	0.00
Grades 7-8 ADA – Classroom-based	0.00	0.00
Grades 9-12 ADA – Total	0.00	0.00
Grades 9-12 ADA – Classroom-based	0.00	0.00
Total ADA	<u>473.78</u>	<u>472.39</u>
Classroom-based ADA	<u>473.78</u>	<u>472.39</u>

See accompanying independent auditor's report.

LOS ANGELES UNIFIED SCHOOL DISTRICT
Schedule of Average Daily Attendance
Year Ended June 30, 2015

Chatsworth Charter High School – 1931708

	Second Period Report	Annual Report
TK/K to Grade 3 ADA – Total	0.00	0.00
TK/K to Grade 3 ADA – Classroom-based	0.00	0.00
Grades 4-6 ADA – Total	0.00	0.00
Grades 4-6 ADA – Classroom-based	0.00	0.00
Grades 7-8 ADA – Total	0.00	0.00
Grades 7-8 ADA – Classroom-based	0.00	0.00
Grades 9-12 ADA – Total	2,096.58	2,071.98
Grades 9-12 ADA – Classroom-based	2,096.58	2,071.98
Total ADA	2,096.58	2,071.98
Classroom-based ADA	2,096.58	2,071.98

See accompanying independent auditor's report.

LOS ANGELES UNIFIED SCHOOL DISTRICT
Schedule of Average Daily Attendance
Year Ended June 30, 2015

Cleveland (Grover) Charter High School – 1931864

	Second Period Report	Annual Report
TK/K to Grade 3 ADA – Total	0.00	0.00
TK/K to Grade 3 ADA – Classroom-based	0.00	0.00
Grades 4-6 ADA – Total	0.00	0.00
Grades 4-6 ADA – Classroom-based	0.00	0.00
Grades 7-8 ADA – Total	0.00	0.00
Grades 7-8 ADA – Classroom-based	0.00	0.00
Grades 9-12 ADA – Total	3,106.07	3,082.56
Grades 9-12 ADA – Classroom-based	3,106.07	3,082.56
Total ADA	3,106.07	3,082.56
Classroom-based ADA	3,106.07	3,082.56

See accompanying independent auditor's report.

LOS ANGELES UNIFIED SCHOOL DISTRICT
Schedule of Average Daily Attendance
Year Ended June 30, 2015

Colfax Charter Elementary School – 6016562

	Second Period Report	Annual Report
TK/K to Grade 3 ADA – Total	438.32	439.10
TK/K to Grade 3 ADA – Classroom-based	438.32	439.10
Grades 4-6 ADA – Total	206.68	207.47
Grades 4-6 ADA – Classroom-based	206.68	207.47
Grades 7-8 ADA – Total	0.00	0.00
Grades 7-8 ADA – Classroom-based	0.00	0.00
Grades 9-12 ADA – Total	0.00	0.00
Grades 9-12 ADA – Classroom-based	0.00	0.00
Total ADA	<u>645.00</u>	<u>646.57</u>
Classroom-based ADA	<u>645.00</u>	<u>646.57</u>

See accompanying independent auditor's report.

LOS ANGELES UNIFIED SCHOOL DISTRICT
Schedule of Average Daily Attendance
Year Ended June 30, 2015

Community Magnet Charter Elementary School – 6094726

	Second Period Report	Annual Report
TK/K to Grade 3 ADA – Total	270.42	269.64
TK/K to Grade 3 ADA – Classroom-based	270.42	269.64
Grades 4-6 ADA – Total	180.56	180.26
Grades 4-6 ADA – Classroom-based	180.56	180.26
Grades 7-8 ADA – Total	0.00	0.00
Grades 7-8 ADA – Classroom-based	0.00	0.00
Grades 9-12 ADA – Total	0.00	0.00
Grades 9-12 ADA – Classroom-based	0.00	0.00
Total ADA	<u>450.98</u>	<u>449.90</u>
Classroom-based ADA	<u>450.98</u>	<u>449.90</u>

See accompanying independent auditor's report.

LOS ANGELES UNIFIED SCHOOL DISTRICT
Schedule of Average Daily Attendance
Year Ended June 30, 2015

Darby Avenue Charter – 6016703

	Second Period Report	Annual Report
TK/K to Grade 3 ADA – Total	308.26	308.08
TK/K to Grade 3 ADA – Classroom-based	308.26	308.08
Grades 4-6 ADA – Total	197.13	196.28
Grades 4-6 ADA – Classroom-based	197.13	196.28
Grades 7-8 ADA – Total	0.00	0.00
Grades 7-8 ADA – Classroom-based	0.00	0.00
Grades 9-12 ADA – Total	0.00	0.00
Grades 9-12 ADA – Classroom-based	0.00	0.00
Total ADA	<u>505.39</u>	<u>504.36</u>
Classroom-based ADA	<u>505.39</u>	<u>504.36</u>

See accompanying independent auditor's report.

LOS ANGELES UNIFIED SCHOOL DISTRICT
Schedule of Average Daily Attendance
Year Ended June 30, 2015

Dearborn Elementary Charter Academy – 6016729

	Second Period Report	Annual Report
TK/K to Grade 3 ADA – Total	359.02	357.69
TK/K to Grade 3 ADA – Classroom-based	359.02	357.69
Grades 4-6 ADA – Total	141.96	141.99
Grades 4-6 ADA – Classroom-based	141.96	141.99
Grades 7-8 ADA – Total	0.00	0.00
Grades 7-8 ADA – Classroom-based	0.00	0.00
Grades 9-12 ADA – Total	0.00	0.00
Grades 9-12 ADA – Classroom-based	0.00	0.00
Total ADA	<u>500.98</u>	<u>499.68</u>
Classroom-based ADA	<u>500.98</u>	<u>499.68</u>

See accompanying independent auditor's report.

LOS ANGELES UNIFIED SCHOOL DISTRICT
Schedule of Average Daily Attendance
Year Ended June 30, 2015

Dixie Canyon Community Charter School – 6016778

	Second Period Report	Annual Report
TK/K to Grade 3 ADA – Total	471.33	471.14
TK/K to Grade 3 ADA – Classroom-based	471.33	471.14
Grades 4-6 ADA – Total	205.60	205.37
Grades 4-6 ADA – Classroom-based	205.60	205.37
Grades 7-8 ADA – Total	0.00	0.00
Grades 7-8 ADA – Classroom-based	0.00	0.00
Grades 9-12 ADA – Total	0.00	0.00
Grades 9-12 ADA – Classroom-based	0.00	0.00
Total ADA	<u>676.93</u>	<u>676.51</u>
Classroom-based ADA	<u>676.93</u>	<u>676.51</u>

See accompanying independent auditor's report.

LOS ANGELES UNIFIED SCHOOL DISTRICT
Schedule of Average Daily Attendance
Year Ended June 30, 2015

El Oro Way for Enriched Studies – 6016869

	Second Period Report	Annual Report
TK/K to Grade 3 ADA – Total	316.57	316.63
TK/K to Grade 3 ADA – Classroom-based	316.57	316.63
Grades 4-6 ADA – Total	169.74	169.48
Grades 4-6 ADA – Classroom-based	169.74	169.48
Grades 7-8 ADA – Total	0.00	0.00
Grades 7-8 ADA – Classroom-based	0.00	0.00
Grades 9-12 ADA – Total	0.00	0.00
Grades 9-12 ADA – Classroom-based	0.00	0.00
Total ADA	<u>486.31</u>	<u>486.11</u>
Classroom-based ADA	<u>486.31</u>	<u>486.11</u>

See accompanying independent auditor's report.

LOS ANGELES UNIFIED SCHOOL DISTRICT
Schedule of Average Daily Attendance
Year Ended June 30, 2015

Emelita Academy Charter – 6016901

	Second Period Report	Annual Report
TK/K to Grade 3 ADA – Total	264.82	264.74
TK/K to Grade 3 ADA – Classroom-based	264.82	264.74
Grades 4-6 ADA – Total	122.40	122.91
Grades 4-6 ADA – Classroom-based	122.40	122.91
Grades 7-8 ADA – Total	0.00	0.00
Grades 7-8 ADA – Classroom-based	0.00	0.00
Grades 9-12 ADA – Total	0.00	0.00
Grades 9-12 ADA – Classroom-based	0.00	0.00
Total ADA	<u>387.22</u>	<u>387.65</u>
Classroom-based ADA	<u>387.22</u>	<u>387.65</u>

See accompanying independent auditor's report.

LOS ANGELES UNIFIED SCHOOL DISTRICT
Schedule of Average Daily Attendance
Year Ended June 30, 2015

Emerson Community Charter School – 6057988

	Second Period Report	Annual Report
TK/K to Grade 3 ADA – Total	0.00	0.00
TK/K to Grade 3 ADA – Classroom-based	0.00	0.00
Grades 4-6 ADA – Total	160.54	160.74
Grades 4-6 ADA – Classroom-based	160.54	160.74
Grades 7-8 ADA – Total	359.02	357.66
Grades 7-8 ADA – Classroom-based	359.02	357.66
Grades 9-12 ADA – Total	0.00	0.00
Grades 9-12 ADA – Classroom-based	0.00	0.00
Total ADA	<u>519.56</u>	<u>518.40</u>
Classroom-based ADA	<u>519.56</u>	<u>518.40</u>

See accompanying independent auditor's report.

LOS ANGELES UNIFIED SCHOOL DISTRICT
Schedule of Average Daily Attendance
Year Ended June 30, 2015

Enadia Technology Enriched Charter – 0117036

	Second Period Report	Annual Report
TK/K to Grade 3 ADA – Total	168.04	166.85
TK/K to Grade 3 ADA – Classroom-based	168.04	166.85
Grades 4-6 ADA – Total	64.61	64.97
Grades 4-6 ADA – Classroom-based	64.61	64.97
Grades 7-8 ADA – Total	0.00	0.00
Grades 7-8 ADA – Classroom-based	0.00	0.00
Grades 9-12 ADA – Total	0.00	0.00
Grades 9-12 ADA – Classroom-based	0.00	0.00
Total ADA	<u>232.65</u>	<u>231.82</u>
Classroom-based ADA	<u>232.65</u>	<u>231.82</u>

See accompanying independent auditor's report.

LOS ANGELES UNIFIED SCHOOL DISTRICT
Schedule of Average Daily Attendance
Year Ended June 30, 2015

Encino Charter Elementary School – 6016935

	Second Period Report	Annual Report
TK/K to Grade 3 ADA – Total	354.74	354.86
TK/K to Grade 3 ADA – Classroom-based	354.74	354.86
Grades 4-6 ADA – Total	182.06	181.83
Grades 4-6 ADA – Classroom-based	182.06	181.83
Grades 7-8 ADA – Total	0.00	0.00
Grades 7-8 ADA – Classroom-based	0.00	0.00
Grades 9-12 ADA – Total	0.00	0.00
Grades 9-12 ADA – Classroom-based	0.00	0.00
Total ADA	<u>536.80</u>	<u>536.69</u>
Classroom-based ADA	<u>536.80</u>	<u>536.69</u>

See accompanying independent auditor's report.

LOS ANGELES UNIFIED SCHOOL DISTRICT
Schedule of Average Daily Attendance
Year Ended June 30, 2015

Germain Academy for Academic Achievement – 6017263

	Second Period Report	Annual Report
TK/K to Grade 3 ADA – Total	341.41	341.27
TK/K to Grade 3 ADA – Classroom-based	341.41	341.27
Grades 4-6 ADA – Total	164.04	163.71
Grades 4-6 ADA – Classroom-based	164.04	163.71
Grades 7-8 ADA – Total	0.00	0.00
Grades 7-8 ADA – Classroom-based	0.00	0.00
Grades 9-12 ADA – Total	0.00	0.00
Grades 9-12 ADA – Classroom-based	0.00	0.00
Total ADA	<u>505.45</u>	<u>504.98</u>
Classroom-based ADA	<u>505.45</u>	<u>504.98</u>

See accompanying independent auditor's report.

LOS ANGELES UNIFIED SCHOOL DISTRICT
Schedule of Average Daily Attendance
Year Ended June 30, 2015

Granada Community Charter – 6017339

	Second Period Report	Annual Report
TK/K to Grade 3 ADA – Total	291.32	291.80
TK/K to Grade 3 ADA – Classroom-based	291.32	291.80
Grades 4-6 ADA – Total	140.48	141.31
Grades 4-6 ADA – Classroom-based	140.48	141.31
Grades 7-8 ADA – Total	0.00	0.00
Grades 7-8 ADA – Classroom-based	0.00	0.00
Grades 9-12 ADA – Total	0.00	0.00
Grades 9-12 ADA – Classroom-based	0.00	0.00
Total ADA	<u>431.80</u>	<u>433.11</u>
Classroom-based ADA	<u>431.80</u>	<u>433.11</u>

See accompanying independent auditor's report.

LOS ANGELES UNIFIED SCHOOL DISTRICT
Schedule of Average Daily Attendance
Year Ended June 30, 2013

Hale (George Ellery) Charter Academy – 6061477

	Second Period Report	Annual Report
TK/K to Grade 3 ADA – Total	0.00	0.00
TK/K to Grade 3 ADA – Classroom-based	0.00	0.00
Grades 4-6 ADA – Total	645.75	644.84
Grades 4-6 ADA – Classroom-based	645.75	644.84
Grades 7-8 ADA – Total	1,260.49	1,257.37
Grades 7-8 ADA – Classroom-based	1,260.49	1,257.37
Grades 9-12 ADA – Total	0.00	0.00
Grades 9-12 ADA – Classroom-based	0.00	0.00
Total ADA	<u>1,906.24</u>	<u>1,902.21</u>
Classroom-based ADA	<u>1,906.24</u>	<u>1,902.21</u>

See accompanying independent auditor's report.

LOS ANGELES UNIFIED SCHOOL DISTRICT
Schedule of Average Daily Attendance
Year Ended June 30, 2015

Hamlin Charter Academy – 6017438

	Second Period Report	Annual Report
TK/K to Grade 3 ADA – Total	317.88	317.09
TK/K to Grade 3 ADA – Classroom-based	317.88	317.09
Grades 4-6 ADA – Total	128.49	127.41
Grades 4-6 ADA – Classroom-based	128.49	127.41
Grades 7-8 ADA – Total	0.00	0.00
Grades 7-8 ADA – Classroom-based	0.00	0.00
Grades 9-12 ADA – Total	0.00	0.00
Grades 9-12 ADA – Classroom-based	0.00	0.00
Total ADA	<u>446.37</u>	<u>444.50</u>
Classroom-based ADA	<u>446.37</u>	<u>444.50</u>

See accompanying independent auditor's report.

LOS ANGELES UNIFIED SCHOOL DISTRICT
Schedule of Average Daily Attendance
Year Ended June 30, 2015

Haynes Charter for Enriched Studies – 6017529

	Second Period Report	Annual Report
TK/K to Grade 3 ADA – Total	272.37	271.95
TK/K to Grade 3 ADA – Classroom-based	272.37	271.95
Grades 4-6 ADA – Total	129.58	129.60
Grades 4-6 ADA – Classroom-based	129.58	129.60
Grades 7-8 ADA – Total	0.00	0.00
Grades 7-8 ADA – Classroom-based	0.00	0.00
Grades 9-12 ADA – Total	0.00	0.00
Grades 9-12 ADA – Classroom-based	0.00	0.00
Total ADA	<u>401.95</u>	<u>401.55</u>
Classroom-based ADA	<u>401.95</u>	<u>401.55</u>

See accompanying independent auditor's report.

LOS ANGELES UNIFIED SCHOOL DISTRICT
Schedule of Average Daily Attendance
Year Ended June 30, 2015

Hesby Oaks Leadership Charter – 0112060

	Second Period Report	Annual Report
TK/K to Grade 3 ADA – Total	190.66	190.06
TK/K to Grade 3 ADA – Classroom-based	190.66	190.06
Grades 4-6 ADA – Total	204.15	203.92
Grades 4-6 ADA – Classroom-based	204.15	203.92
Grades 7-8 ADA – Total	141.63	141.47
Grades 7-8 ADA – Classroom-based	141.63	141.47
Grades 9-12 ADA – Total	0.00	0.00
Grades 9-12 ADA – Classroom-based	0.00	0.00
Total ADA	<u>536.44</u>	<u>535.45</u>
Classroom-based ADA	<u>536.44</u>	<u>535.45</u>

See accompanying independent auditor's report.

LOS ANGELES UNIFIED SCHOOL DISTRICT
Schedule of Average Daily Attendance
Year Ended June 30, 2015

Justice Street Academy Charter – 6017693

	<u>Second Period Report</u>	<u>Annual Report</u>
TK/K to Grade 3 ADA – Total	265.36	264.80
TK/K to Grade 3 ADA – Classroom-based	265.36	264.80
Grades 4-6 ADA – Total	125.39	124.40
Grades 4-6 ADA – Classroom-based	125.39	124.40
Grades 7-8 ADA – Total	0.00	0.00
Grades 7-8 ADA – Classroom-based	0.00	0.00
Grades 9-12 ADA – Total	0.00	0.00
Grades 9-12 ADA – Classroom-based	0.00	0.00
Total ADA	<u>390.75</u>	<u>389.20</u>
Classroom-based ADA	<u>390.75</u>	<u>389.20</u>

See accompanying independent auditor's report.

LOS ANGELES UNIFIED SCHOOL DISTRICT
Schedule of Average Daily Attendance
Year Ended June 30, 2015

Kenter Canyon Charter School – 6017701

	Second Period Report	Annual Report
TK/K to Grade 3 ADA – Total	344.00	343.88
TK/K to Grade 3 ADA – Classroom-based	344.00	343.88
Grades 4-6 ADA – Total	170.89	170.51
Grades 4-6 ADA – Classroom-based	170.89	170.51
Grades 7-8 ADA – Total	0.00	0.00
Grades 7-8 ADA – Classroom-based	0.00	0.00
Grades 9-12 ADA – Total	0.00	0.00
Grades 9-12 ADA – Classroom-based	0.00	0.00
Total ADA	<u>514.89</u>	<u>514.39</u>
Classroom-based ADA	<u>514.89</u>	<u>514.39</u>

See accompanying independent auditor's report.

LOS ANGELES UNIFIED SCHOOL DISTRICT
Schedule of Average Daily Attendance
Year Ended June 30, 2015

Knollwood Preparatory Academy – 6017743

	Second Period Report	Annual Report
TK/K to Grade 3 ADA – Total	298.41	297.04
TK/K to Grade 3 ADA – Classroom-based	298.41	297.04
Grades 4-6 ADA – Total	117.96	117.31
Grades 4-6 ADA – Classroom-based	117.96	117.31
Grades 7-8 ADA – Total	0.00	0.00
Grades 7-8 ADA – Classroom-based	0.00	0.00
Grades 9-12 ADA – Total	0.00	0.00
Grades 9-12 ADA – Classroom-based	0.00	0.00
Total ADA	<u>416.37</u>	<u>414.35</u>
Classroom-based ADA	<u>416.37</u>	<u>414.35</u>

See accompanying independent auditor's report.

LOS ANGELES UNIFIED SCHOOL DISTRICT
Schedule of Average Daily Attendance
Year Ended June 30, 2015

Lockhurst Drive Charter Elementary – 6017891

	Second Period Report	Annual Report
TK/K to Grade 3 ADA – Total	197.30	197.74
TK/K to Grade 3 ADA – Classroom-based	197.30	197.74
Grades 4-6 ADA – Total	106.06	105.39
Grades 4-6 ADA – Classroom-based	106.06	105.39
Grades 7-8 ADA – Total	0.00	0.00
Grades 7-8 ADA – Classroom-based	0.00	0.00
Grades 9-12 ADA – Total	0.00	0.00
Grades 9-12 ADA – Classroom-based	0.00	0.00
Total ADA	<u>303.36</u>	<u>303.13</u>
Classroom-based ADA	<u>303.36</u>	<u>303.13</u>

See accompanying independent auditor's report.

LOS ANGELES UNIFIED SCHOOL DISTRICT
Schedule of Average Daily Attendance
Year Ended June 30, 2015

Marquez Charter School – 6018063

	Second Period Report	Annual Report
TK/K to Grade 3 ADA – Total	332.79	333.64
TK/K to Grade 3 ADA – Classroom-based	332.79	333.64
Grades 4-6 ADA – Total	164.20	164.27
Grades 4-6 ADA – Classroom-based	164.20	164.27
Grades 7-8 ADA – Total	0.00	0.00
Grades 7-8 ADA – Classroom-based	0.00	0.00
Grades 9-12 ADA – Total	0.00	0.00
Grades 9-12 ADA – Classroom-based	0.00	0.00
Total ADA	<u>496.99</u>	<u>497.91</u>
Classroom-based ADA	<u>496.99</u>	<u>497.91</u>

See accompanying independent auditor's report.

LOS ANGELES UNIFIED SCHOOL DISTRICT
Schedule of Average Daily Attendance
Year Ended June 30, 2015

Millikan (Robert A.) Middle School – 6058150

	Second Period Report	Annual Report
TK/K to Grade 3 ADA – Total	0.00	0.00
TK/K to Grade 3 ADA – Classroom-based	0.00	0.00
Grades 4-6 ADA – Total	655.78	656.53
Grades 4-6 ADA – Classroom-based	655.78	656.53
Grades 7-8 ADA – Total	1,345.33	1,341.40
Grades 7-8 ADA – Classroom-based	1,345.33	1,341.40
Grades 9-12 ADA – Total	0.00	0.00
Grades 9-12 ADA – Classroom-based	0.00	0.00
Total ADA	<u>2,001.11</u>	<u>1,997.93</u>
Classroom-based ADA	<u>2,001.11</u>	<u>1,997.93</u>

See accompanying independent auditor's report.

LOS ANGELES UNIFIED SCHOOL DISTRICT
Schedule of Average Daily Attendance
Year Ended June 30, 2015

Nestle Avenue Charter School – 6018287

	Second Period Report	Annual Report
TK/K to Grade 3 ADA – Total	389.55	390.00
TK/K to Grade 3 ADA – Classroom-based	389.55	390.00
Grades 4-6 ADA – Total	166.79	167.53
Grades 4-6 ADA – Classroom-based	166.79	167.53
Grades 7-8 ADA – Total	0.00	0.00
Grades 7-8 ADA – Classroom-based	0.00	0.00
Grades 9-12 ADA – Total	0.00	0.00
Grades 9-12 ADA – Classroom-based	0.00	0.00
Total ADA	<u>556.34</u>	<u>557.53</u>
Classroom-based ADA	<u>556.34</u>	<u>557.53</u>

See accompanying independent auditor's report.

LOS ANGELES UNIFIED SCHOOL DISTRICT
Schedule of Average Daily Attendance
Year Ended June 30, 2015

Nobel (Alfred B.) Middle School – 6061543

	Second Period Report	Annual Report
TK/K to Grade 3 ADA – Total	0.00	0.00
TK/K to Grade 3 ADA – Classroom-based	0.00	0.00
Grades 4-6 ADA – Total	820.50	817.74
Grades 4-6 ADA – Classroom-based	820.50	817.74
Grades 7-8 ADA – Total	1,653.38	1,648.55
Grades 7-8 ADA – Classroom-based	1,653.38	1,648.55
Grades 9-12 ADA – Total	0.00	0.00
Grades 9-12 ADA – Classroom-based	0.00	0.00
Total ADA	<u>2473.88</u>	<u>2466.29</u>
Classroom-based ADA	<u>2473.88</u>	<u>2466.29</u>

See accompanying independent auditor's report.

LOS ANGELES UNIFIED SCHOOL DISTRICT
Schedule of Average Daily Attendance
Year Ended June 30, 2015

Open Charter Magnet School – 6097927

	Second Period Report	Annual Report
TK/K to Grade 3 ADA – Total	256.28	255.75
TK/K to Grade 3 ADA – Classroom-based	256.28	255.75
Grades 4-6 ADA – Total	137.06	137.12
Grades 4-6 ADA – Classroom-based	137.06	137.12
Grades 7-8 ADA – Total	0.00	0.00
Grades 7-8 ADA – Classroom-based	0.00	0.00
Grades 9-12 ADA – Total	0.00	0.00
Grades 9-12 ADA – Classroom-based	0.00	0.00
Total ADA	<u>393.34</u>	<u>392.87</u>
Classroom-based ADA	<u>393.34</u>	<u>392.87</u>

See accompanying independent auditor's report.

LOS ANGELES UNIFIED SCHOOL DISTRICT
Schedule of Average Daily Attendance
Year Ended June 30, 2015

Palisades Charter Elementary – 6018634

	Second Period Report	Annual Report
TK/K to Grade 3 ADA – Total	328.95	326.17
TK/K to Grade 3 ADA – Classroom-based	328.95	326.17
Grades 4-6 ADA – Total	169.79	168.76
Grades 4-6 ADA – Classroom-based	169.79	168.76
Grades 7-8 ADA – Total	0.00	0.00
Grades 7-8 ADA – Classroom-based	0.00	0.00
Grades 9-12 ADA – Total	0.00	0.00
Grades 9-12 ADA – Classroom-based	0.00	0.00
Total ADA	<u>498.74</u>	<u>494.93</u>
Classroom-based ADA	<u>498.74</u>	<u>494.93</u>

See accompanying independent auditor's report.

LOS ANGELES UNIFIED SCHOOL DISTRICT
Schedule of Average Daily Attendance
Year Ended June 30, 2015

Plainview Academic Charter Academy – 6018725

	Second Period Report	Annual Report
TK/K to Grade 3 ADA – Total	217.92	218.16
TK/K to Grade 3 ADA – Classroom-based	217.92	218.16
Grades 4-6 ADA – Total	107.27	107.69
Grades 4-6 ADA – Classroom-based	107.27	107.69
Grades 7-8 ADA – Total	0.00	0.00
Grades 7-8 ADA – Classroom-based	0.00	0.00
Grades 9-12 ADA – Total	0.00	0.00
Grades 9-12 ADA – Classroom-based	0.00	0.00
Total ADA	<u>325.19</u>	<u>325.85</u>
Classroom-based ADA	<u>325.19</u>	<u>325.85</u>

See accompanying independent auditor's report.

LOS ANGELES UNIFIED SCHOOL DISTRICT
Schedule of Average Daily Attendance
Year Ended June 30, 2015

Pomelo Community Charter School – 6018774

	Second Period Report	Annual Report
TK/K to Grade 3 ADA – Total	404.98	403.86
TK/K to Grade 3 ADA – Classroom-based	404.98	403.86
Grades 4-6 ADA – Total	205.37	204.08
Grades 4-6 ADA – Classroom-based	205.37	204.08
Grades 7-8 ADA – Total	0.00	0.00
Grades 7-8 ADA – Classroom-based	0.00	0.00
Grades 9-12 ADA – Total	0.00	0.00
Grades 9-12 ADA – Classroom-based	0.00	0.00
Total ADA	<u>610.35</u>	<u>607.94</u>
Classroom-based ADA	<u>610.35</u>	<u>607.94</u>

See accompanying independent auditor's report.

LOS ANGELES UNIFIED SCHOOL DISTRICT
Schedule of Average Daily Attendance
Year Ended June 30, 2015

Revere (Paul) Charter Middle School – 6058267

	Second Period Report	Annual Report
TK/K to Grade 3 ADA – Total	0.00	0.00
TK/K to Grade 3 ADA – Classroom-based	0.00	0.00
Grades 4-6 ADA – Total	690.52	689.31
Grades 4-6 ADA – Classroom-based	690.52	689.31
Grades 7-8 ADA – Total	1,328.17	1,323.91
Grades 7-8 ADA – Classroom-based	1,328.17	1,323.91
Grades 9-12 ADA – Total	0.00	0.00
Grades 9-12 ADA – Classroom-based	0.00	0.00
Total ADA	<u>2,018.69</u>	<u>2,013.22</u>
Classroom-based ADA	<u>2,018.69</u>	<u>2,013.22</u>

See accompanying independent auditor's report.

LOS ANGELES UNIFIED SCHOOL DISTRICT
Schedule of Average Daily Attendance
Year Ended June 30, 2015

Riverside Drive Charter School – 6018923

	Second Period Report	Annual Report
TK/K to Grade 3 ADA – Total	419.78	422.10
TK/K to Grade 3 ADA – Classroom-based	419.78	422.10
Grades 4-6 ADA – Total	165.87	165.94
Grades 4-6 ADA – Classroom-based	165.87	165.94
Grades 7-8 ADA – Total	0.00	0.00
Grades 7-8 ADA – Classroom-based	0.00	0.00
Grades 9-12 ADA – Total	0.00	0.00
Grades 9-12 ADA – Classroom-based	0.00	0.00
Total ADA	<u>585.65</u>	<u>588.04</u>
Classroom-based ADA	<u>585.65</u>	<u>588.04</u>

See accompanying independent auditor's report.

LOS ANGELES UNIFIED SCHOOL DISTRICT
Schedule of Average Daily Attendance
Year Ended June 30, 2015

Serrania Avenue Charter School for Enriched Studies – 6019111

	Second Period Report	Annual Report
TK/K to Grade 3 ADA – Total	404.42	405.43
TK/K to Grade 3 ADA – Classroom-based	404.42	405.43
Grades 4-6 ADA – Total	192.88	191.82
Grades 4-6 ADA – Classroom-based	192.88	191.82
Grades 7-8 ADA – Total	0.00	0.00
Grades 7-8 ADA – Classroom-based	0.00	0.00
Grades 9-12 ADA – Total	0.00	0.00
Grades 9-12 ADA – Classroom-based	0.00	0.00
Total ADA	<u>597.30</u>	<u>597.25</u>
Classroom-based ADA	<u>597.30</u>	<u>597.25</u>

See accompanying independent auditor's report.

LOS ANGELES UNIFIED SCHOOL DISTRICT
Schedule of Average Daily Attendance
Year Ended June 30, 2015

Sherman Oaks Elementary Charter School – 6019186

	Second Period Report	Annual Report
TK/K to Grade 3 ADA – Total	567.03	569.11
TK/K to Grade 3 ADA – Classroom-based	567.03	569.11
Grades 4-6 ADA – Total	215.20	215.79
Grades 4-6 ADA – Classroom-based	215.20	215.79
Grades 7-8 ADA – Total	0.00	0.00
Grades 7-8 ADA – Classroom-based	0.00	0.00
Grades 9-12 ADA – Total	0.00	0.00
Grades 9-12 ADA – Classroom-based	0.00	0.00
Total ADA	<u>782.23</u>	<u>784.90</u>
Classroom-based ADA	<u>782.23</u>	<u>784.90</u>

See accompanying independent auditor's report.

LOS ANGELES UNIFIED SCHOOL DISTRICT
Schedule of Average Daily Attendance
Year Ended June 30, 2015

Superior Street Elementary – 6019392

	Second Period Report	Annual Report
TK/K to Grade 3 ADA – Total	343.27	342.20
TK/K to Grade 3 ADA – Classroom-based	343.27	342.20
Grades 4-6 ADA – Total	196.01	195.68
Grades 4-6 ADA – Classroom-based	196.01	195.68
Grades 7-8 ADA – Total	0.00	0.00
Grades 7-8 ADA – Classroom-based	0.00	0.00
Grades 9-12 ADA – Total	0.00	0.00
Grades 9-12 ADA – Classroom-based	0.00	0.00
Total ADA	<u>539.28</u>	<u>537.88</u>
Classroom-based ADA	<u>539.28</u>	<u>537.88</u>

See accompanying independent auditor's report.

LOS ANGELES UNIFIED SCHOOL DISTRICT
Schedule of Average Daily Attendance
Year Ended June 30, 2015

Taft Charter High School – 1938612

	Second Period Report	Annual Report
TK/K to Grade 3 ADA – Total	0.00	0.00
TK/K to Grade 3 ADA – Classroom-based	0.00	0.00
Grades 4-6 ADA – Total	0.00	0.00
Grades 4-6 ADA – Classroom-based	0.00	0.00
Grades 7-8 ADA – Total	0.00	0.00
Grades 7-8 ADA – Classroom-based	0.00	0.00
Grades 9-12 ADA – Total	2,313.05	2,299.73
Grades 9-12 ADA – Classroom-based	2,313.05	2,299.73
Total ADA	<u>2,313.05</u>	<u>2,299.73</u>
Classroom-based ADA	<u>2,313.05</u>	<u>2,299.73</u>

LOS ANGELES UNIFIED SCHOOL DISTRICT
Schedule of Average Daily Attendance
Year Ended June 30, 2015

Topanga Elementary Charter School – 6019525

	Second Period Report	Annual Report
TK/K to Grade 3 ADA – Total	211.66	211.42
TK/K to Grade 3 ADA – Classroom-based	211.66	211.42
Grades 4-6 ADA – Total	78.99	78.81
Grades 4-6 ADA – Classroom-based	78.99	78.81
Grades 7-8 ADA – Total	0.00	0.00
Grades 7-8 ADA – Classroom-based	0.00	0.00
Grades 9-12 ADA – Total	0.00	0.00
Grades 9-12 ADA – Classroom-based	0.00	0.00
Total ADA	<u>290.65</u>	<u>290.23</u>
Classroom-based ADA	<u>290.65</u>	<u>290.23</u>

See accompanying independent auditor's report.

LOS ANGELES UNIFIED SCHOOL DISTRICT
Schedule of Average Daily Attendance
Year Ended June 30, 2015

Topeka Charter School for Advanced Studies – 6019533

	Second Period Report	Annual Report
TK/K to Grade 3 ADA – Total	381.90	380.33
TK/K to Grade 3 ADA – Classroom-based	381.90	380.33
Grades 4-6 ADA – Total	139.99	140.00
Grades 4-6 ADA – Classroom-based	139.99	140.00
Grades 7-8 ADA – Total	0.00	0.00
Grades 7-8 ADA – Classroom-based	0.00	0.00
Grades 9-12 ADA – Total	0.00	0.00
Grades 9-12 ADA – Classroom-based	0.00	0.00
Total ADA	<u>521.89</u>	<u>520.33</u>
Classroom-based ADA	<u>521.89</u>	<u>520.33</u>

See accompanying independent auditor's report.

LOS ANGELES UNIFIED SCHOOL DISTRICT
Schedule of Average Daily Attendance
Year Ended June 30, 2015

Van Gogh Charter School – 6019673

	Second Period Report	Annual Report
TK/K to Grade 3 ADA – Total	321.49	320.96
TK/K to Grade 3 ADA – Classroom-based	321.49	320.96
Grades 4-6 ADA – Total	158.26	157.41
Grades 4-6 ADA – Classroom-based	158.26	157.41
Grades 7-8 ADA – Total	0.00	0.00
Grades 7-8 ADA – Classroom-based	0.00	0.00
Grades 9-12 ADA – Total	0.00	0.00
Grades 9-12 ADA – Classroom-based	0.00	0.00
Total ADA	<u>479.75</u>	<u>478.37</u>
Classroom-based ADA	<u>479.75</u>	<u>478.37</u>

See accompanying independent auditor's report.

LOS ANGELES UNIFIED SCHOOL DISTRICT
Schedule of Average Daily Attendance
Year Ended June 30, 2015

Welby Way Charter Elementary & Gifted High Ability Magnet Center – 6019855

	<u>Second Period Report</u>	<u>Annual Report</u>
TK/K to Grade 3 ADA – Total	476.20	475.87
TK/K to Grade 3 ADA – Classroom-based	476.20	475.87
Grades 4-6 ADA – Total	318.95	318.77
Grades 4-6 ADA – Classroom-based	318.95	318.77
Grades 7-8 ADA – Total	0.00	0.00
Grades 7-8 ADA – Classroom-based	0.00	0.00
Grades 9-12 ADA – Total	0.00	0.00
Grades 9-12 ADA – Classroom-based	0.00	0.00
Total ADA	<u>795.15</u>	<u>794.64</u>
Classroom-based ADA	<u>795.15</u>	<u>794.64</u>

See accompanying independent auditor's report.

LOS ANGELES UNIFIED SCHOOL DISTRICT
Schedule of Average Daily Attendance
Year Ended June 30, 2015

Westwood Charter Elementary School – 6019939

	Second Period Report	Annual Report
TK/K to Grade 3 ADA – Total	601.09	598.73
TK/K to Grade 3 ADA – Classroom-based	601.09	598.73
Grades 4-6 ADA – Total	248.75	248.38
Grades 4-6 ADA – Classroom-based	248.75	248.38
Grades 7-8 ADA – Total	0.00	0.00
Grades 7-8 ADA – Classroom-based	0.00	0.00
Grades 9-12 ADA – Total	0.00	0.00
Grades 9-12 ADA – Classroom-based	0.00	0.00
Total ADA	<u>849.84</u>	<u>847.11</u>
Classroom-based ADA	<u>849.84</u>	<u>847.11</u>

See accompanying independent auditor's report.

LOS ANGELES UNIFIED SCHOOL DISTRICT
Schedule of Average Daily Attendance
Year Ended June 30, 2015

Wilbur Charter for Enriched Academics – 6019954

	Second Period Report	Annual Report
TK/K to Grade 3 ADA – Total	447.07	446.71
TK/K to Grade 3 ADA – Classroom-based	447.07	446.71
Grades 4-6 ADA – Total	184.80	184.14
Grades 4-6 ADA – Classroom-based	184.80	184.14
Grades 7-8 ADA – Total	0.00	0.00
Grades 7-8 ADA – Classroom-based	0.00	0.00
Grades 9-12 ADA – Total	0.00	0.00
Grades 9-12 ADA – Classroom-based	0.00	0.00
Total ADA	<u>631.87</u>	<u>630.85</u>
Classroom-based ADA	<u>631.87</u>	<u>630.85</u>

See accompanying independent auditor's report.

LOS ANGELES UNIFIED SCHOOL DISTRICT
Schedule of Average Daily Attendance
Year Ended June 30, 2015

Woodlake Elementary Community Charter – 6020036

	Second Period Report	Annual Report
TK/K to Grade 3 ADA – Total	345.45	346.27
TK/K to Grade 3 ADA – Classroom-based	345.45	346.27
Grades 4-6 ADA – Total	139.01	137.86
Grades 4-6 ADA – Classroom-based	139.01	137.86
Grades 7-8 ADA – Total	0.00	0.00
Grades 7-8 ADA – Classroom-based	0.00	0.00
Grades 9-12 ADA – Total	0.00	0.00
Grades 9-12 ADA – Classroom-based	0.00	0.00
Total ADA	<u>484.46</u>	<u>484.13</u>
Classroom-based ADA	<u>484.46</u>	<u>484.13</u>

See accompanying independent auditor's report.

LOS ANGELES UNIFIED SCHOOL DISTRICT
Schedule of Average Daily Attendance
Year Ended June 30, 2015

Woodland Hills Elementary Charter for Enriched Studies – 6020044

	Second Period Report	Annual Report
TK/K to Grade 3 ADA – Total	465.89	464.78
TK/K to Grade 3 ADA – Classroom-based	465.89	464.78
Grades 4-6 ADA – Total	230.30	230.57
Grades 4-6 ADA – Classroom-based	230.30	230.57
Grades 7-8 ADA – Total	0.00	0.00
Grades 7-8 ADA – Classroom-based	0.00	0.00
Grades 9-12 ADA – Total	0.00	0.00
Grades 9-12 ADA – Classroom-based	0.00	0.00
Total ADA	<u>696.19</u>	<u>695.35</u>
Classroom-based ADA	<u>696.19</u>	<u>695.35</u>

See accompanying independent auditor's report.

LOS ANGELES UNIFIED SCHOOL DISTRICT
Schedule of Instructional Time Offered
Year Ended June 30, 2015

Grade Level	1982-1983 Actual Minutes Offered	1986-1987 Minutes Requirements	2014-15 Actual Minutes Offered	Number of Days Traditional Calendar	Number of Days Multi-track Calendar ⁽³⁾	Complied with Instructional Minutes and Days Provisions
Kindergarten	31,680	36,000	36,000	180	N/A	Yes
Grades 1 to 3	48,800	50,400	55,100	180	N/A	Yes
Grades 4 to 6 ⁽¹⁾	48,800	54,000	55,100	180	N/A	Yes
Grades 7 to 8 ⁽²⁾	62,160	54,000	62,160 or 65,300	180	N/A	Yes
Grades 9 to 12	62,160	64,800	65,300	180	180	Yes

- (1) Elementary schools only.
- (2) Middle schools with grade configurations 6-8 approved for common planning time have at least 62,160 annual instructional minutes. Middle schools with grade configurations 6-8 not approved for common planning time have at least 65,300 annual instructional minutes
- (3) Only one school followed the multi-track calendar which offered 180 instructional days per track.

Notes:

1. All charter schools included in this audit report conform to the above Schedule of Instructional Time Offered.
2. LAUSD received incentive funding for increasing instructional time pursuant to the Longer Year/Longer Instructional day, and met its target funding.

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

LOS ANGELES UNIFIED SCHOOL DISTRICT
Schedule of Financial Trends and Analysis
Year Ended June 30, 2015
(Dollars in thousands)

	2015-2016 Budgeted	2014-2015 Actual	2013-2014 Actual	2012-2013 Actual	2011-2012 Actual
General Fund:					
Revenues	\$ 7,079,115	\$ 6,420,069	\$ 5,853,648	\$ 5,671,594	\$ 5,882,516
Other Financing Sources	60,000	32,771	25,267	38,735	9,645
Total Revenues and Other Financing Sources	7,139,115	6,452,840	5,878,915	5,710,329	5,892,161
Expenditures	6,944,732	6,205,730	5,660,706	5,784,020	5,845,488
Other Financing Uses	140,721	127,554	110,676	158,402	125,394
Total Expenditures and Other Financing Uses	7,085,453	6,333,284	5,771,382	5,942,422	5,970,882
Change in Fund Balance	53,662	119,556	107,533	(232,093)	(78,721)
Beginning Fund Balance	665,206	700,250	592,717	824,810	903,531
Ending Fund Balance	<u>\$ 718,868</u>	<u>\$ 819,806</u>	<u>\$ 700,250</u>	<u>\$ 592,717</u>	<u>\$ 824,810</u>
Available Reserves*	<u>\$ 113,650</u>	<u>\$ 254,210</u>	<u>\$ 151,257</u>	<u>\$ 65,376</u>	<u>\$ 161,744</u>
Unassigned Reserve for Economic Uncertainties	<u>\$ 72,376</u>	<u>\$ 65,376</u>	<u>\$ 65,376</u>	<u>\$ 65,376</u>	<u>\$ 65,376</u>
Unassigned Fund Balance	<u>\$ 41,274</u>	<u>\$ 188,834</u>	<u>\$ 85,881</u>	<u>\$ —</u>	<u>\$ 96,368</u>
Available Reserves as a Percentage of Total Expenditures and Other Financing Uses	1.60%	4.01%	2.62%	1.10%	2.71%
Total Long-Term Debt	\$ 22,187,181	\$ 22,321,951	\$ 17,519,475	\$ 17,258,973	\$ 16,630,225
Average Daily Attendance (ADA) at P-2 excluding regional occupational centers programs and adult programs	510,891	517,856	528,598	536,449	550,954

The General Fund has maintained a positive ending fund balance for the past four fiscal years presented in this schedule.

For a district this size, the State has recommended available reserves to be at least 1% of total General Fund expenditures and other financing uses. The District has been able to meet these requirements for the past four fiscal year

* Available reserves consist of all unassigned fund balances and unassigned reserve for economic uncertainties.

See accompanying notes to state compliance information.

LOS ANGELES UNIFIED SCHOOL DISTRICT
Schedule to Reconcile the Annual Financial Budget Report (SACS)
with Audited Financial Statements
Year Ended June 30, 2015
(in thousands)

	<u>General</u>	<u>Building Fund- Measure R</u>	<u>Bond Interest and Redemption</u>	<u>Special Reserve</u>
June 30, 2015 Unaudited Actual Financial Reports				
Fund Balances/Net Position	\$ 817,757	\$ 689,773	\$ 779,531	\$ 84,863
Adjustments:				
To reverse duplicate recording of cash placed in the interest and sinking fund	—	—	(6,124)	—
To cancel payable no longer due	2,049			
To recognize unearned revenue	—	1,752	—	(35)
June 30, 2015 Audited Financial Statement				
Fund Balances/Net Position	<u>\$ 819,806</u>	<u>\$ 691,525</u>	<u>\$ 773,407</u>	<u>\$ 84,828</u>

There were no adjustments to fund balances for funds not presented above.

See accompanying notes to state compliance information.

LOS ANGELES UNIFIED SCHOOL DISTRICT
Charter Schools
Year Ended June 30, 2015

		CDS Code	Affiliated	Fiscally Independent	Included in the District Audit
1	Alexander (Dr. Theodore, Jr.) Science Center	19 64733 0102491	x		Yes
2	Beckford Charter for Enriched Studies	19 64733 6015986	x		Yes
3	Calabash Charter Academy	19 64733 6016240	x		Yes
4	Calahan Community Charter	19 64733 6016257	x		Yes
5	Calvert Charter for Enriched Studies	19 64733 6016265	x		Yes
6	Canyon Charter School	19 64733 6016323	x		Yes
7	Carpenter Community Charter School	19 64733 6016356	x		Yes
8	Castlebay Lane Elementary School	19 64733 6071435	x		Yes
9	Chandler Learning Academy	19 64733 6094222	x		Yes
10	Chatsworth Charter High School	19 64733 1931708	x		Yes
11	Cleveland (Grover) Charter High School	19 64733 1931864	x		Yes
12	Colfax Charter Elementary School	19 64733 6016562	x		Yes
13	Community Magnet Charter Elementary School	19 64733 6094726	x		Yes
14	Darby Avenue Charter	19 64733 6016703	x		Yes
15	Dearborn Elementary Charter Academy	19 64733 6016729	x		Yes
16	Dixie Canyon Community Charter School	19 64733 6016778	x		Yes
17	El Oro Way for Enriched Studies	19 64733 6016869	x		Yes
18	Emelita Academy Charter	19 64733 6016901	x		Yes
19	Emerson Community Charter	19 64733 6057988	x		Yes
20	Enadia Technology Enriched Charter	19 64733 0117036	x		Yes
21	Encino Charter Elementary School	19 64733 6016935	x		Yes
22	Germain Academy for Academic Achievement	19 64733 6017263	x		Yes
23	Granada Elementary Community Charter	19 64733 6017339	x		Yes
24	Hale (George Ellery) Charter Academy	19 64733 6061477	x		Yes
25	Hamlin Charter Academy	19 64733 6017438	x		Yes
26	Haynes Charter for Enriched Studies	19 64733 6017529	x		Yes
27	Hesby Oaks Leadership Charter	19 64733 0112060	x		Yes
28	Justice Street Academy Charter School	19 64733 6017693	x		Yes
29	Kenter Canyon Charter School	19 64733 6017701	x		Yes
30	Knollwood Preparatory Academy	19 64733 6017743	x		Yes
31	Lockhurst Drive Charter Elementary	19 64733 6017891	x		Yes
32	Marquez Charter School	19 64733 6018063	x		Yes
33	Millikan (Robert A.) Middle School, Performing Arts Magnet and Science Academy STEM School	19 64733 6058150	x		Yes
34	Nestle Avenue Charter School	19 64733 6018287	x		Yes
35	Nobel (Alred B.) Middle School	19 64733 6061543	x		Yes
36	Open Charter Magnet School	19 64733 6097927	x		Yes
37	Palisades Charter Elementary	19 64733 6018634	x		Yes
38	Plainview Academic Charter Academy	19 64733 6018725	x		Yes
39	Pomelo Community Charter School	19 64733 6018774	x		Yes
40	Revere (Paul) Charter Middle School	19 64733 6058267	x		Yes
41	Riverside Drive Charter School	19 64733 6018923	x		Yes
42	Serrania Avenue Charter School for Enriched Studies	19 64733 6019111	x		Yes
43	Sherman Oaks Elementary Charter School	19 64733 6019186	x		Yes
44	Superior Street Elementary	19 64733 6019392	x		Yes
45	Taft Charter High School	19 64733 1938612	x		Yes
46	Topanga Elementary Charter School	19 64733 6019525	x		Yes
47	Topeka Charter School for Advanced Studies	19 64733 6019533	x		Yes
48	Van Gogh Charter School	19 64733 6019673	x		Yes
49	Welby Way Charter Elementary & Gifted High Ability Magnet Center	19 64733 6019855	x		Yes
50	Westwood Charter Elementary School	19 64733 6019939	x		Yes
51	Wilbur Charter for Enriched Academics	19 64733 6019954	x		Yes
52	Woodlake Elementary Community Charter	19 64733 6020036	x		Yes
53	Woodland Hills Elementary Charter for Enriched Studies	19 64733 6020044	x		Yes

(Continued)

LOS ANGELES UNIFIED SCHOOL DISTRICT
Charter Schools (Continued)
Year Ended June 30, 2015

		CDS Code	Affiliated	Fiscally Independent	Included in the District Audit
54	Academia Moderna	19 64733 0120097		x	No
55	Academic Performance Excellence Academy (APEX)	19 64733 0117077		x	No
56	Academy of Science and Engineering	19 64733 0126185		x	No
57	Accelerated Elementary School (ACES)	19 64733 0100743		x	No
58	Accelerated School, The (TAS)	19 64733 6112536		x	No
59	Alain Leroy Locke College Preparatory Academy	19 64733 0118588		x	No
60	Alliance Alice M. Baxter College-Ready High	19 64733 0127217		x	No
61	Alliance Cindy and Bill Simon Technology Academy High School	19 64733 0121285		x	No
62	Alliance College-Ready Academy High School #16	19 64733 0123141		x	No
63	Alliance College-Ready Middle Academy #4	19 64733 0120030		x	No
64	Alliance College-Ready Middle Academy #5	19 64733 0120048		x	No
65	Alliance College-Ready Middle Academy #7	19 64733 0121277		x	No
66	Alliance College-Ready Middle Academy #8	19 64733 0128033		x	No
67	Alliance College-Ready Middle Academy #12	19 64733 0128058		x	No
68	Alliance Collins Family College-Ready High School	19 64733 0108936		x	No
69	Alliance Dr. Olga Mohan High School	19 64733 0111500		x	No
70	Alliance Environmental Science & Technology High School	19 64733 0117606		x	No
71	Alliance Gertz-Ressler-Richard Merkin 6-12 Complex	19 64733 0106864		x	No
72	Alliance Health Services Academy High School	19 64733 0117598		x	No
73	Alliance Jack H. Skirball Middle School	19 64733 0111518		x	No
74	Alliance Judy Ivie Burton Technology High School	19 64733 0108894		x	No
75	Alliance Kory Hunter Middle School	19 64733 0128041		x	No
76	Alliance Marc & Eva Stern Math & Science, California State University Los Angeles Campus	19 64733 0111658		x	No
77	Alliance Margaret M. Bloomfield Technology Academy	19 64733 0124941		x	No
78	Alliance Media Arts & Entertainment Design High School	19 64733 0116509		x	No
79	Alliance Ouchi-O'Donovan 6-12 Complex	19 64733 0111641		x	No
80	Alliance Patti and Peter Neuwirth Leadership Academy	19 64733 0111492		x	No
81	Alliance Renee and Meyer Luskin High School	19 64733 0124891		x	No
82	Alliance Susan and Eric Smidt Technology High School	19 64733 0123133		x	No
83	Alliance Tennenbaum Family Technology High School *	19 64733 0121293		x	No
84	Animo College Preparatory Academy – Jordan Campus	19 64733 0124883		x	No
85	Animo Ellen Ochoa Charter Middle School	19 64733 0123992		x	No
86	Animo Jackie Robinson	19 64733 0111583		x	No
87	Animo James B. Taylor Charter Middle School	19 64733 0124008		x	No
88	Animo Jefferson Charter Middle School	19 64733 0122481		x	No
89	Animo Mae Jemison Charter Middle School	19 64733 0129270		x	No
90	Animo Pat Brown High School	19 64733 0106849		x	No
91	Animo Phillis Wheatley Charter Middle School – Clay Campus*	19 64733 0124024		x	No
92	Animo Ralph Bunche Charter High School	19 64733 0111575		x	No
93	Animo South Los Angeles Charter Senior High	19 64733 0102434		x	No
94	Animo Venice Charter High School	19 64733 0106831		x	No
95	Animo Watts College Preparatory Academy	19 64733 0111625		x	No
96	Animo Western Charter Middle School – Clay Campus *	19 64733 0124016		x	No
97	Animo Westside Charter Middle School	19 64733 0122499		x	No
98	Apple Academy Charter Public Schools (AACPS)	19 64733 0126078		x	No
99	Ararat Charter School	19 64733 0121079		x	No
100	Arts in Action Community Charter School	19 64733 0123158		x	No
101	Aspire Centennial College Preparatory Academy	19 64733 0126797		x	No
102	Aspire Firestone Academy *	19 64733 0122622		x	No
103	Aspire Gateway Academy *	19 64733 0122614		x	No
104	Aspire Huntington Park Charter School	19 64733 0117960		x	No
105	Aspire Inskeep Academy *	19 64733 0124800		x	No
106	Aspire Juanita Tate Academy *	19 64733 0124792		x	No
107	Aspire Junior Collegiate Academy	19 64733 0114884		x	No
108	Aspire Pacific Academy	19 64733 0122721		x	No
109	Aspire Slauson Academy *	19 64733 0124784		x	No
110	Aspire Titan Academy	19 64733 0120477		x	No

* PSC = Public School Choice

(Continued)

LOS ANGELES UNIFIED SCHOOL DISTRICT
Charter Schools (Continued)
Year Ended June 30, 2015

	CDS Code	Affiliated	Fiscally Independent	Included in the District Audit
111 Bert Corona Charter School	19 64733 0106872		x	No
112 Birmingham Community Charter High School	19 64733 1931047		x	No
113 Bright Star Secondary Academy	19 64733 0112508		x	No
114 Camino Nuevo Academy #2 – Harvard	19 64733 0122861		x	No
115 Camino Nuevo Charter Academy	19 64733 6117667		x	No
116 Camino Nuevo Charter Academy #4 – Sandra Cisneros Campus *	19 64733 0124826		x	No
117 Camino Nuevo Charter High School	19 64733 0106435		x	No
118 Camino Nuevo Elementary School #3 – Jose Castellanos Campus *	19 64733 0122564		x	No
119 Camino Nuevo High School #2	19 64733 0127910		x	No
120 Celerity Cardinal Charter School	19 64733 0123984		x	No
121 Celerity Dyad Charter School	19 64733 0115766		x	No
122 Celerity Nascent Charter School	19 64733 0108910		x	No
123 Celerity Octavia Charter School	19 64733 0122655		x	No
124 Celerity Palmati Charter School	19 64733 0123166		x	No
125 Celerity Troika Charter School	19 64733 0115782		x	No
126 Center for Advanced Learning	19 64733 0115139		x	No
127 Central City Value High School	19 64733 0100800		x	No
128 Charter High School of Arts Multimedia/ Performing High School (CHAMPS)	19 64733 0108878		x	No
129 Chime Institute's Schwarzenegger Community School	19 64733 6119531		x	No
130 Citizens of the World Charter 2 (Silver Lake)	19 64733 0126177		x	No
131 Citizens of the World Charter 3 (Mar Vista)	19 64733 0126193		x	No
132 Citizens of the World Charter Hollywood	19 64733 0122556		x	No
133 City Charter Middle School	19 64733 0126102		x	No
134 City Language Immersion Charter	19 64733 0127886		x	No
135 Clemente Charter School	19 64733 0129825		x	No
136 Community Preparatory Academy	19 64733 0129874		x	No
137 Crenshaw Arts-Technology Charter High School (CATCH)	19 64733 0101659		x	No
138 Crown Preparatory Academy	19 64733 0121848		x	No
139 Discovery Charter Preparatory School #2	19 64733 0115253		x	No
140 Downtown Value School	19 64733 6119903		x	No
141 El Camino Real Charter High School	19 64733 1932623		x	No
142 Endeavor College Preparatory Charter School	19 64733 0120014		x	No
143 Equitas Academy Charter	19 64733 0119982		x	No
144 Equitas Academy Charter 2	19 64733 0126169		x	No
145 Everest Value School	19 64733 0129858		x	No
146 Executive Preparatory Academy of Finance	19 64733 0127852		x	No
147 Extera Public School	19 64733 0124198		x	No
148 Extera Public School 2	19 64733 0128132		x	No
149 Fenton Avenue Charter School	19 64733 6017016		x	No
150 Fenton Primary Center	19 64733 0115048		x	No
151 Frederick Douglass Academy Elementary School	19 64733 0117952		x	No
152 Frederick Douglass Academy High School	19 64733 0112557		x	No
153 Frederick Douglass Academy Middle School	19 64733 0112433		x	No
154 Gabriella Charter School	19 64733 0108886		x	No
155 Garr Academy of Mathematics and Entrepreneurial Studies (GAMES)	19 64733 0112334		x	No
156 Global Education Academy	19 64733 0114967		x	No
157 Global Education Academy 2	19 64733 0129833		x	No
158 Global Education Academy Middle School	19 64733 0128116		x	No
159 Goethe International Charter School	19 64733 0117978		x	No
160 Granada Hills Charter High School	19 64733 1933746		x	No
161 High Tech – Los Angeles	19 64733 0100677		x	No
162 ICEF Vista Elementary Academy	19 64733 0117937		x	No
163 ICEF Vista Middle Academy	19 64733 0115287		x	No

* PSC = Public School Choice

(Continued)

LOS ANGELES UNIFIED SCHOOL DISTRICT
Charter Schools (Continued)
Year Ended June 30, 2015

	CDS Code	Affiliated	Fiscally Independent	Included in the District Audit
164	Ingenium Charter Middle School	19 64733 0127985	x	No
165	Ivy Academia Charter School	19 64733 0106351	x	No
166	Ivy Bound Academy Math/Science/Technology	19 64733 0115113	x	No
167	Ivy Bound Academy Middle School 2	19 64733 0128389	x	No
168	James Jordan Middle School	19 64733 0109884	x	No
169	KIPP Academy of Innovation	19 64733 0128512	x	No
170	KIPP Academy of Opportunity	19 64733 0101444	x	No
171	KIPP Comienza Community Preparatory	19 64733 0121707	x	No
172	KIPP Empower Academy	19 64733 0121699	x	No
173	KIPP Iluminar Academy	19 64733 0127670	x	No
174	KIPP LA College Preparatory	19 64733 0100867	x	No
175	KIPP Philosophers Academy	19 64733 0125609	x	No
176	KIPP Raices Academy	19 64733 0117903	x	No
177	KIPP Scholar Academy	19 64733 0125625	x	No
178	KIPP Sol Academy	19 64733 0125641	x	No
179	KIPP Vida Preparatory Academy	19 64733 0129460	x	No
180	Larchmont Charter School	19 64733 0108928	x	No
181	Lashon Academy	19 64733 0128025	x	No
182	Los Angeles Academy of Arts & Enterprise Charter (LAAAE)	19 64733 0110304	x	No
183	Los Angeles Big Picture High School	19 64733 0122762	x	No
184	Los Angeles Leadership Academy	19 64733 1996610	x	No
185	Los Angeles Leadership Primary Academy	19 64733 0124818	x	No
186	Los Feliz Charter for the Arts	19 64733 0112235	x	No
187	Lou Dantzler Preparatory Elementary School	19 64733 0117945	x	No
188	Lou Dantzler Preparatory Middle School	19 64733 0112227	x	No
189	Magnolia Science Academy	19 64733 6119945	x	No
190	Magnolia Science Academy 2	19 64733 0115212	x	No
191	Magnolia Science Academy 3	19 64733 0115030	x	No
192	Magnolia Science Academy 4	19 64733 0117622	x	No
193	Magnolia Science Academy 5	19 64733 0117630	x	No
194	Magnolia Science Academy 6	19 64733 0117648	x	No
195	Magnolia Science Academy 7	19 64733 0117655	x	No
196	Magnolia Science Academy Bell *	19 64733 0122747	x	No
197	Math and Science College Preparatory	19 64733 0126136	x	No
198	Metro Charter School	19 64733 0127977	x	No
199	Monsenor Oscar Romero	19 64733 0114959	x	No
200	Montague Charter Academy	19 64733 6018204	x	No
201	Multicultural Learning Center	19 64733 6119044	x	No
202	N.E.W. Academy Canoga Park	19 64733 0102483	x	No
203	N.E.W. Academy of Science & Arts	19 64733 0100289	x	No
204	New Designs Charter School	19 64733 0102541	x	No
205	New Designs Charter School – Watts	19 64733 0120071	x	No
206	New Heights Charter School	19 64733 0111211	x	No
207	New Horizons Charter Academy	19 64733 0128371	x	No
208	New Los Angeles Charter School	19 64733 0117614	x	No
209	New Millennium Secondary School	19 64733 0117911	x	No
210	New Village Girls Academy	19 64733 0111484	x	No
211	North Valley Military Institute College Preparatory Academy	19 64733 0100776	x	No
212	Ocean Charter School	19 64733 0102335	x	No
213	Oscar De La Hoya Animo High School	19 64733 0101675	x	No
214	Our Community Charter School	19 64733 0109934	x	No
215	Pacoima Charter School	19 64733 6018642	x	No
216	Palisades Charter High School	19 64733 1995836	x	No
217	Para Los Ninos Charter Middle School	19 64733 0117846	x	No
218	Para Los Ninos Charter School	19 64733 6120489	x	No
219	Para Los Ninos – Evelyn Thurman Gratts Primary Center *	19 64733 0122630	x	No
220	Partnerships to Uplift Communities (PUC) California Academy for Liberal Studies (CALs) Charter Middle School	19 64733 6118194	x	No
221	Partnerships to Uplift Communities (PUC) California Academy for Liberal Studies (CALs) Early College High School	19 64733 0109553	x	No

* PSC = Public School Choice

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LOS ANGELES UNIFIED SCHOOL DISTRICT
Charter Schools (Continued)
Year Ended June 30, 2015

	CDS Code	Affiliated	Fiscally Independent	Included in the District Audit
222 Partnerships to Uplift Communities (PUC) Community Charter Elementary	19 64733 0129619		x	No
223 Partnerships to Uplift Communities (PUC) Community Charter Middle School and PUC Community Charter Early College High School	19 64733 6116750		x	No
224 Partnerships to Uplift Communities (PUC) Early College Academy for Leaders & Scholars (ECALS) *	19 64733 0124933		x	No
225 Partnerships to Uplift Communities (PUC) Excel Academy	19 64733 0112201		x	No
226 Partnerships to Uplift Communities (PUC) Inspire Charter Academy	19 64733 0129593		x	No
227 Partnerships to Uplift Communities (PUC) Lakeview Charter Academy	19 64733 0102442		x	No
228 Partnerships to Uplift Communities (PUC) Lakeview Charter High School	19 64733 0122606		x	No
229 Partnerships to Uplift Communities (PUC) Milagro Charter Elementary School	19 64733 0102426		x	No
230 Partnerships to Uplift Communities (PUC) Nueva Esperanza Charter Academy	19 64733 0120055		x	No
231 Partnerships to Uplift Communities (PUC) Santa Rosa Charter Academy	19 64733 0119974		x	No
232 Partnerships to Uplift Communities (PUC) Triumph Academy	19 64733 0112193		x	No
233 Partnerships to Uplift Communities (PUC) Triumph Charter High School	19 64733 0122598		x	No
234 Pathways Community Charter	19 64733 0127878		x	No
235 Port of Los Angeles High School (POLAH)	19 64733 0107755		x	No
236 Prepa Tec, Los Angeles	19 64733 0127936		x	No
237 Puente Charter School	19 64733 6120471		x	No
238 Renaissance Arts Academy	19 64733 0101683		x	No
239 Rise Ko Hyang Middle	19 64733 0124222		x	No
240 Santa Monica Boulevard Community Charter School	19 64733 6019079		x	No
241 Stella Middle Charter Academy	19 64733 0100669		x	No
242 Student Empowerment Academy	19 64733 0112862		x	No
243 Synergy Charter Academy *	19 64733 0106427		x	No
244 Synergy Kinetic Academy *	19 64733 0117895		x	No
245 Synergy Quantum Academy *	19 64733 0124560		x	No
246 TEACH Academy of Technologies	19 64733 0122242		x	No
247 TEACH Tech High School	19 64733 0129627		x	No
248 USC Hybrid High	19 64733 0125864		x	No
249 Valley Charter Elementary School	19 64733 0122754		x	No
250 Valley Charter Middle School	19 64733 0122838		x	No
251 Valor Academy High School	19 64733 0127894		x	No
252 Valor Academy Middle School	19 64733 0120022		x	No
253 Vaughn Next Century Learning Center	19 64733 6019715		x	No
254 View Park Preparatory Accelerated Elementary School	19 64733 6117048		x	No
255 View Park Preparatory Accelerated High School	19 64733 0101196		x	No
256 View Park Preparatory Accelerated Middle School	19 64733 6121081		x	No
257 Village Charter Academy	19 64733 0129866		x	No
258 Vista Charter Middle School	19 64733 0122739		x	No
259 Wallis Annenberg High School	19 64733 0100750		x	No
260 Watts Learning Center Charter Middle School	19 64733 0120527		x	No
261 Watts Learning Center Charter School	19 64733 6114912		x	No
262 Westside Innovative School House (WISH)	19 64733 0121012		x	No
263 Westside Innovative School House (WISH) Charter Middle	19 64733 0129379		x	No
264 Xinaxcalmecac Academia Semillas del Pueblo	19 64733 6119929		x	No

* PSC = Public School Choice

LOS ANGELES UNIFIED SCHOOL DISTRICT

Notes to State Compliance Information

Year Ended June 30, 2015

(1) Purpose of Schedules

(a) *Schedule of Average Daily Attendance*

Average daily attendance is a measurement of the number of pupils attending classes of the District. The purpose of attendance accounting from a fiscal standpoint is to provide the basis on which apportionments of state funds are made to school districts. This schedule provides information regarding the attendance of students at various grade levels and in different programs.

The schedule of average daily attendance for each of the District's affiliated charter schools is provided separately.

(b) *Schedule of Instructional Time Offered*

The District has received incentive funding for increasing instructional time as provided by the Incentive for longer instructional day. This schedule presents information on the amount of instructional time offered by the District and whether the District complied with the provisions of Education Code Sections 46201 through 46206.

(c) *Schedule of Financial Trends and Analysis*

This schedule focuses on financial trends by displaying past years' data along with current budget information and evaluates the District's ability to continue as a going concern for a reasonable period of time.

(d) *Reconciliation of Unaudited Actual Financial Reports with Audited Financial Statements*

This schedule provides the information necessary to reconcile the differences between fund balances reported on the unaudited actual financial reports and the audited financial statements.

LOS ANGELES UNIFIED SCHOOL DISTRICT
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2015

Federal Grantor/Pass-Through Grantor/Program Title	Catalog of Federal Domestic Assistance Number	Grantor or Pass-Through Entity ID Number	Program Cluster Expenditures	Total Federal Expenditures
U.S. Department of Agriculture:				
Passed through California Department of Education:				
Child Nutrition School Programs Breakfast	10.553	PCA13525/PCA13526	\$ 99,449,558	
Child Nutrition School Programs Lunch	10.555	PCA13523/PCA13524	138,816,652	
Child Nutrition School Programs Snack	10.555	PCA13755	40,422	
Donated Food Commodities	10.555	Not Available	14,210,575	
Child Nutrition Summer Food Services Program Operations	10.559	PCA13004	3,308,365	
Child Nutrition Summer Food Services Program Sponsor Administration	10.559	PCA13006	347,581	
Subtotal expenditures – Child Nutrition Cluster				256,173,153
Child Nutrition Child Care Food Program Claims	10.558	PCA13529		46,358,366
Child Nutrition Child Care Food Program – Cash in Lieu of Commodities	10.558	PCA13534		3,619,986
Subtotal CFDA 10.558				49,978,352
Child Nutrition Team Nutrition-Front Line Professional Education Mini Grants	10.574	PCA01188		12,029
Child Nutrition Fresh Fruits & Vegetables Program	10.582	PCA14968		222,853
NSLP Equipment Assistance Grant	10.579	14906		63,652
Passed through California Department of Health Services:				
Network 4 Healthy California	10.561	PH-002580		1,133,839
Forest Reserve	10.665	Not Available		60,606
Subtotal Pass-Through Programs				307,644,484
Total U.S. Department of Agriculture				307,644,484
U.S. Department of Defense:				
Reserve Officer Training Corps Vitalization Act	12.unknown	Not Available		2,045,488
Startalk: Exploring Arabic Through Technology, Visual Arts and Photography	12.900	H98230-14-1-0242		73,942
Subtotal Direct Programs				2,119,430
Total U.S. Department of Defense				2,119,430
U.S. Department of Housing & Urban Development:				
Passed through City of Carson:				
Carson Guidance – CDBG Entitlement Grants Cluster	14.218	Not Available		10,618
Total U.S. Department of Housing and Urban Development				10,618
U.S. Department of Justice:				
Step Program Secondary Schools	16.684	20011-GW-AX-K008		95,288
Subtotal Direct Program				95,288
Total U.S. Department of Justice				95,288
U.S. Department of Labor:				
Youth Career Connect Program	17.274	YC-25413-14-60-A-6		1,071,620
Subtotal Direct Program				1,071,620
Passed through Employment Development Department:				
Employment Development Department Trade Act				
East Los Angeles Occupational Center	17.245	VARIOUS		19,097
Harbor Occupational Center	17.245	VARIOUS		13,250
Maxine Waters Employment Preparation Center	17.245	VARIOUS		12,274
Various Service Areas	17.245	VARIOUS		22,239
Subtotal CFDA 17.245				66,860
Passed through City of Los Angeles:				
LARCA Workforce Innovation Fund	17.283	122088		487,482
Passed through Watts Labor Community Action Committee:				
Workforce Investment Act – WorkSource Center-Adult	17.258	124224	62,623	
Workforce Investment Act – Youth Opportunity Program	17.259	124221	25,000	
Passed through City of Hawthorne:				
Workforce Investment Act – I-TRAIN - Harbor	17.258	16-0174-0-1-504	1,269	
Passed through City of Los Angeles:				
Workforce Investment Act – Youth Program	17.259	123006	793,000	
Passed through Para Los Ninos:				
Workforce Investment Act – Youth	17.259	122755-14L	99,586	
Passed through Archdiocesan Youth Employment Services:				
Workforce Investment Act – Youth	17.259	T5499	46,029	

(Continued)

LOS ANGELES UNIFIED SCHOOL DISTRICT
Schedule of Expenditures of Federal Awards (Continued)
Year Ended June 30, 2015

Federal Grantor/Pass-Through Grantor/Program Title	Catalog of Federal Domestic Assistance Number	Grantor or Pass-Through Entity ID Number	Program Cluster Expenditures	Total Federal Expenditures
Passed through N.E. San Fernando Valley Youth Source Center: Workforce Investment Act – Youth	17.259	n/a	\$ 4,346	
Subtotal expenditures – Workforce Investment Act Cluster				1,031,853
Subtotal Pass-Through Programs				1,586,195
Total U.S. Department of Labor				2,657,815
National Science Foundation:				
UCLA-Sub-Agreement:Project Mobilize	47.076	0070GND220		222,062
UCLA-Sub-Agreement: Into the Loop Program	47.070	0070GSE659		43,435
USC-Math for America Los Angeles	47.076	Not Available		27,484
Subtotal Direct Program				292,981
Total National Science Foundation				292,981
U.S. Department of Education:				
Indian Education	84.060	S060A14283		310,350
Fund for Improv Edu Prog – Teach Am History	84.215	U215X100365		123,733
Small Learning Communities – COH 8	84.215	S215L080570		31,009
Subtotal CFDA 84.215				154,742
Gaining Early Awareness and Readiness for Undergraduate Programs (Gear-Up):				
CA Gear Up	84.334	12 Gear-Up-1322/1326		15,071
Gear-Up 4 LA	84.334	P334A110166/P334A140118		3,832,531
Gear-Up-Project Steps	84.334	P334A110159		1,432,845
Subtotal CFDA 84.334				5,280,447
ARRA-I3 Fund LA'S Bold Competition	84.396	U396C100336		494,508
Teacher Incentive Fund (TIF)	84.374	S374A120066		5,740,663
Magnet Schools Assistance	84.165	U165A130049/U165A100057		4,169,305
Subtotal Direct Programs				16,150,015
Passed through California Department of Education:				
Workforce Investment Act – Adult Basic Ed/ESL	84.002	PCA # 14508		6,282,935
Workforce Investment Act – Adult Ed & Family Lit/EL-Civics	84.002	PCA # 14109		2,923,740
Workforce Investment Act – Adult Secondary Ed	84.002	PCA # 13978		1,549,128
Subtotal CFDA 84.002				10,755,803
Elementary and Secondary Education Act, Title I	84.010	PCA#14329	307,361,277	
Elementary and Secondary Education Act, Title I Delinquent	84.010	PCA#14357	793,896	
Elementary and Secondary Education Act, Title I Neglected	84.010	PCA#14329	857,364	
Subtotal expenditures – Title I, Part A				309,012,537
Special Ed: IDEA Local Assistance, Part B, Sec.611 Early Intervening Services	84.027	PCA#10119	5,909,481	
Special Ed: IDEA Basic Local Assistance Entitlement	84.027	14-13379-6473-01	114,010,007	
Special Ed: IDEA Local Assistance, Private School ISPs	84.027	14-13379-6473-01	1,854,031	
Special Ed: IDEA Mental Health Allocation Plan	84.027	14-15197-6473-01	6,997,313	
Special Ed: IDEA Pre-School Local Assistance Entitlement	84.027	13-13682-6473-01	12,378,689	
Special Ed: CEIS 15% IDEA, Part B, Sec.619	84.173	PCA#13430	470,365	
IDEA Preschool Expansion Grant	84.173	13-13430	5,670,667	
PreSchool Expansion - Staff Development	84.173	13-13431	51,307	
IDEA Preschool Desired Result	84.173	13-14688	103,792	
Subtotal expenditures – Special Education Cluster				147,445,652
Carl D. Perkins – Secondary Program, Sec131	84.048	PCA#14894		6,712,506
Carl D. Perkins – Vocational and Technical Education, Sec 132	84.048	PCA#14893		657,615
Subtotal CFDA 84.048				7,370,121
Early Intervention Funds – Part C	84.181	13-23761-6473-01		1,178,111
Education for Homeless Children & Youth	84.196	PCA#14332		186,757
Twenty-First Century Learning Centers	84.287	PCA#14349		384,997
Twenty-First Century Learning Centers	84.287	PCA#14535		16,012,634
Twenty-First Century Learning Centers	84.287	PCA#14603/PCA#14604		1,615,583
Subtotal CFDA 84.287				18,013,214

(Continued)

LOS ANGELES UNIFIED SCHOOL DISTRICT
Schedule of Expenditures of Federal Awards (Continued)
Year Ended June 30, 2015

Federal Grantor/Pass-Through Grantor/Program Title	Catalog of Federal Domestic Assistance Number	Grantor or Pass-Through Entity ID Number	Program Cluster Expenditures	Total Federal Expenditures
Advanced Placement	84.330	S330C110037/S330B110037:PCA14831		\$ 1,590,657
Arts in Edu Model Dev & Dissem/Prof Dev	84.351	U351D100117/U351C140064		235,722
School Dropout Prevention Program	84.360	S360A100054		2,289,961
Title III, Limited English Proficient	84.365	PCA#14346		16,900,669
No Child Left Behind Title II-A – Teacher Quality	84.367	PCA#14341		44,911,376
School Improvement Grant	84.377	PCA#15127	34,869,228	
ARRA-School Improvement Grant	84.388	PCA#15020	1,429,785	
Subtotal expenditures – School Improvement Grants Cluster				36,299,013
Passed through Los Angeles County Office of Education:				
Title I - Migrant Ed - Regular	84.011	03239		936,587
Title I - Migrant Ed - Summer	84.011	03489		584,606
Subtotal expenditures - CFDA 84.011				1,521,193
Passed through Napa County Office of Education:				
Project READ - Peary Middle School	84.325	Not Available		49,806
Passed through California Education Roundtable Intersegmental Coordinating Committee				
Alliance for Regional Collaboration to Heighten Educational Success (ARCHES):				
ARRA-Arches-13 Slope	84.411	MOU		495
Passed through MDRC:				
Power Teaching i3 Scale Up Evaluation	84.411	Not Available		15,707
Diplomas Now	84.411	U396B100257		8,065
Passed through Old Dominion Univ. Research Foundation-Technology:				
Facilitated Scale Up of a Proven Model	84.411	U411A110004		438,026
Subtotal CFDA 84.411				462,293
Passed through State Department of Rehabilitation:				
Rehab-Transition Partnership Program/Trans Part-Greater LA	84.126	28903/ep1313027		1,337,045
CA Promise-Promoting Readiness of Minor in Supp'l Income	84.418	29139		335,336
Passed through Center for Collaborative Education:				
Principal Residency Network	84.363	4400003138		126,973
Subtotal Pass-Through Programs				600,022,239
Total U.S. Department of Education				616,172,254
U.S. Department of Health & Human Services:				
CDCP-School Based HIV/STD Prevention	93.079	1U87PS004181-1/5U87PS004181-2		664,265
ACA Grant 4 School Based Health Center	93.501	C12CS25600		133,947
CMS-Cycle II & Cycle III Chipra Outreach	93.767	1Z03303872A/1ZOCMS331214-01-00		444,351
Subtotal Direct Programs				1,242,563
Passed through Rand Corporation:				
Student for Nutrition & Exercise Program	93.307	9920140035		223,592
Treatment & Services Adaptation Center for Resiliency	93.243	9920130075		42,926
Passed through Dibble Institute:				
Dibble Inst-BldgBrighter Future	93.086	90FM0010-01-00		98,236
Passed through CA Health Benefit Exchange-Covered California:	93.525	12-E9117		371,506
Passed through Community Health Councils, Inc - REACH Demo:	93.743	Not Available		149,269
Passed through County of Los Angeles:				
Choose Health LA	93.531	PH-002164		131,885
Maternal Infant and Early Childhood Home Visiting Program	93.505	PH-002170		905,244
Passed through City of Los Angeles:				
HCID CDBG-Pupil Services Attendance Counselors	93.569	C-125301		833,431
Passed through California Department of Education:				
Youth Risk Behavior Survey Participation Grant	93.079	14-01031-6473-(01-05)		2,000
General Child Care Center-Block Grant	93.575	PCA15136	9,141,728	
General Child Care Center-Mandatory & Matching Fund	93.596	PCA13609	16,596,298	
Subtotal expenditures – Child Care Development Fund Cluster				25,738,026
Passed through Los Angeles County Office of Education:				
ARRA-State Grants to Promote Health Information Technology	93.719	Not Available		48,105
Medi-Cal Administrative Activity	93.778	C-10606:08:09		6,358,612
Subtotal Pass-Through Programs				34,902,832
Total U.S. Department of Health & Human Services				36,145,395

(Continued)

LOS ANGELES UNIFIED SCHOOL DISTRICT
Schedule of Expenditures of Federal Awards (Continued)
Year Ended June 30, 2015

Federal Grantor/Pass-Through Grantor/Program Title	Catalog of Federal Domestic Assistance Number	Grantor or Pass-Through Entity ID Number	Program Cluster Expenditures	Total Federal Expenditures
U.S. Department of Homeland Security:				
Passed through Governors Office of Emergency Services:				
Public Assistance – FEMA 1577 DR2005 Winter Storms	97.036	OES ID#037-91146		\$ 397
Subtotal CFDA 97.036				397
Subtotal Pass-Through Programs				397
Total U.S. Department of Homeland Security				397
 Total Expenditures of Federal Awards				 \$ 965,138,662

LOS ANGELES UNIFIED SCHOOL DISTRICT

Notes to Schedule of Expenditures of Federal Awards

Year Ended June 30, 2015

(1) General

The accompanying schedule of expenditures of federal awards presents the expenditures of all federal financial assistance programs for the Los Angeles Unified School District (District). The District's reporting entity is defined in the notes to the District's basic financial statements.

(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. The information in this schedule is presented in accordance with the requirements of the Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. 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) Noncash Assistance

Included in the schedule of expenditures of federal awards is (CFDA #10.555) \$14,210,575 of donated food commodities received from the U.S. Department of Agriculture, passed-through the State of California, during the year ended June 30, 2015.

(4) Subrecipient Awards

Of the federal expenditures presented in the schedule of expenditures of federal awards, the District provided a significant amount of funding to various subrecipients. Due to the extensive number of federal programs and volume of subrecipients, it is not practical to display the detailed subrecipient information in the schedule of expenditures of federal awards.



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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, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 15, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies as items FS-2015-001 through FS-2015-003.





Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

District's Response to Findings

The District's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in cursive script that reads 'Simpson & Simpson'.

Los Angeles, California
December 15, 2015



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Report on Compliance for Each Major Federal Program and Report on Internal Control over Compliance

Independent Auditor's Report

The Honorable Board of Education
Los Angeles Unified School District

Report on Compliance for Each Major Federal Program

We have audited **Los Angeles Unified School District's** (the District) compliance with the types of compliance requirements described in the *OMB Circular A-133 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, 2015. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants 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 OMB Circular A-133, *Audits of States, Local governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the District's compliance.





Opinion on Each Major Federal Program

In our opinion, the District compiled, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items F-2015-001 to F-2015-007. Our opinion on each major federal program is not modified with respect to these matters.

The District's response to the noncompliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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 were not identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses and significant deficiencies.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items F-2015-001 to F-2015-006 to be material weaknesses.



A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as item F-2015-007 to be significant deficiencies.

The District's response to the internal control over compliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

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

December 15, 2015
Los Angeles, California



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Independent Auditor's Report on State Compliance

To The Honorable Board of Education
Los Angeles Unified School District

Report on Compliance

We have audited the compliance of the **Los Angeles Unified School District** (the District), with the compliance requirements described in the *Standards and Procedures for Audits of California K-12 Local Educational Agencies 2014-2015* (the Guide) for the year ended June 30, 2015. 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 *Standards and Procedures for Audits of California K-12 Local Educational Agencies*, prescribed in the California Code of Regulations (CCR), Title 5, sections 19810-19854. Those standards and the Guide require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above occurred. An audit also includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion. However, our audit does not provide a legal determination of the District's compliance with those requirements.

In connection with the audit referred to above, we selected and tested transactions and records to determine the District's compliance with state laws and regulations applicable to the following programs:



	Procedures performed
Attendance Accounting:	
Attendance Reporting	Yes
Independent Study	Yes
Continuation Education	Yes
Teacher Certification and Misassignments	Yes
Kindergarten Continuance	Yes
Instructional Time	Yes
Instructional Materials	Yes
Ratios of Administrative Employees to Teachers	Yes
Classroom Teacher Salaries	Yes
Early Retirement Incentive	Not applicable*
Gann Limit Calculation	Yes
School Accountability Report Card	Yes
Juvenile Court Schools	Not applicable**
Middle or Early College High Schools	Yes
K-3 Grade Span Adjustment	Yes
Transportation Maintenance of Effort	Yes
Regional Occupational Centers or Programs Maintenance of Effort	Yes
Adult Education Maintenance of Effort	Yes
California Clean Energy Jobs Act	Yes
After School Education and Safety Program:	
General Requirements	Yes
After School Program	Yes
Before School Program	Yes
Proper Expenditures of Education Protection Account Funds	Yes
Common Core Implementation Funds	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes



	Procedures performed
Local Control and Accountability Plan	Yes
Contemporaneous Records of Attendance for Charter Schools	Yes
Mode of Instruction for Charter Schools	Yes
Nonclassroom-Based Instruction/Independent Study for Charter Schools	Not applicable***
Determination of Funding for Nonclassroom-Based Instruction for Charter Schools	Not applicable***
Annual Instructional Minutes - Classroom Based for Charter Schools	Yes
Charter School Facility Grant Program	Not applicable****

* We did not perform any procedures related to the Early Retirement Incentive Program because the District did not offer early retirement incentive during fiscal year 2014-15.

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

*** The District does not have any Nonclassroom-Based Instruction/Independent Study for Charter Schools; therefore we did not perform any testing related to this requirement.

**** The District's charter schools did not receive Charter School Facility Grant Program funding; therefore we did not perform any testing related to this requirement.

Opinion

In our opinion, the District complied, in all material respects, with the compliance requirements referred to above that are applicable to each of its programs for the year-ended June 30, 2015.

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-2015-001 through S-2015-008. Our opinion is not modified with respect to these matters.

The District's responses to the noncompliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The District's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Los Angeles, California
December 15, 2015

LOS ANGELES UNIFIED SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

June 30, 2015

Section I – Summary of Auditor’s Results

Financial Statements

Type of auditor’s report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? None noted
- Significant deficiency(ies) identified that are not considered to be material weaknesses? Yes

Noncompliance material to financial statements noted? None noted

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? Yes
- Significant deficiency(ies) identified that are not considered to be material weaknesses? Yes

Identification of major programs and type of auditor’s report issued on compliance for each major program:

CFDA #	Name of Federal Program	Opinion
	Department of Agriculture – Child Nutrition Cluster:	Unmodified
10.553	School Breakfast Program	
10.555	National School Lunch Program	
10.559	Summer Food Service Program for Children	
10.558	Department of Agriculture – Child and Adult Care Food Program	Unmodified
84.002	Department of Education – Workforce Investment Act, Title II: Adult Education and Family Literacy Act	Unmodified
84.010	Title I Grants to Local Educational Agencies	Unmodified
	Department of Education – Special Education Cluster:	Unmodified
84.027	Special Education Grants to States (IDEA, Part B)	
84.173	Special Education Preschool Grants (IDEA Preschool)	

LOS ANGELES UNIFIED SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

June 30, 2015

CFDA #	Name of Federal Program	Opinion
84.048	Department of Education – Vocational Education Basic Grants to States (Perkins IV)	Unmodified
84.165	Magnet Schools Assistance	Unmodified
84.287	Department of Education – Twenty-First Century Community Learning Centers	Unmodified
84.334	Department of Education – Gaining Early Awareness and Readiness for Undergraduate Programs (GEAR-UP)	Unmodified
84.365	Department of Education – English Language Acquisition Grants	Unmodified
84.367	Department of Education – Improving Teacher Quality State Grants	Unmodified
84.374	Teacher Incentive Fund Initiative	Unmodified
	Department of Education – School Improvement Grants Cluster	Unmodified
84.377	School Improvement Grants	
84.388	School Improvement Grants, Recovery Act	
	Department of Health and Human Services – Child Care Development Fund Cluster:	Unmodified
93.575	Child Care and Development Block Grant	
93.596	Child Care Mandatory and Matching Funds of the Child Care and Development Fund	
93.778	Department of Health and Human Services – Medi-Cal Administrative Activity	Unmodified
•	Any audit findings disclosed which are required to be reported in accordance with Section 510(a) of Circular A-133:	Yes
•	Dollar threshold used to distinguish between type A and type B programs:	\$2,895,416
•	Auditee qualified as low risk auditee	No

LOS ANGELES UNIFIED SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

June 30, 2015

State Awards

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

Unmodified

LOS ANGELES UNIFIED SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

June 30, 2015

Section II – Findings Relating to the Basic Financial Statements which are Required to be Reported in Accordance with Government Auditing Standards

FS-2015-001 ITD Developers with Access to SAP Batch transactions – Significant Deficiency

State Audit Guide Finding Code: 30000

Criteria

Information Technology personnel (e.g., developers, programmers, etc.) should be restricted from having direct/update access to production programs. Access to production programs should be under version control and maintained in a lock-down state. Any changes should be routed through proper change control procedures.

Condition

We noted the following:

- Eleven (11) Developers with access to both the SM36 (Schedule Background Job) and SM37 with S_BTCH_ADM (maintain background job processing) SAP Batch transactions.
- Nine (9) ITD Developers have access to the authorization to modify programs Systems Engineering transaction (SE38).
- Thirteen (13) ITD Functional personnel have update access to the cost center assignments Payroll transaction (PP03).
- Ten (10) ITD Functional personnel have the ability to maintain calculation rules Payroll transaction (PE02).
- Between five (5) to thirteen (13) ITD Functional personnel have access to each of the following SAP Fixed Asset production transactions:
 - ABAON (Asset Sale Without Customer)
 - ABAVN (Asset Retirement by Scrapping)
 - AFABN (post asset depreciation)
 - AFAB (post asset depreciation)
 - AS01 (Create Asset Master Record)
 - AS02 (Create Asset Master Record)

LOS ANGELES UNIFIED SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

June 30, 2015

- Eleven (11) ITD Developer personnel with access to the following SAP General Ledger production transactions:
 - F02 (Enter G/L Account Posting)
 - FS00 (G/L Acct Master Record Maintenance)
- One (1) ITD Developer personnel with access to the following SAP General Ledger production transactions:
 - FBD1 (Enter Recurring Entry)
 - FBVB (Post Parked Document)
 - FB08 (Post a reversal)
 - F14 (Post Recurring Entries)
 - F07 (G/L Balance Carryforward)
- There are between four (4) to nineteen (19) ITD Functional personnel that have access to each of the following SAP General Ledger production transactions:
 - F02 (Enter G/L Account Posting)
 - F04 (Post Documents with Clearing)
 - F07 (G/L: Balance Carryforward)
 - F14 (Post Recurring Entries)
 - FB08 (Post a reversal)
 - FB09 (Change G/L Account Line Items)
 - FBVB (Post Parked Document)
 - FS00 (G/L Acct Master Record Maintenance)
 - FBD1 (Enter Recurring Entry)
 - F07 (G/L Balance Carryforward)
- There are between four (4) to twenty-one (21) ITD Functional personnel with access to each of the following SAP Accounts Payable production transactions:
 - FK01 (create vendor)
 - FK02 (change vendor)
 - ME22N (Change Purchase Order)
 - MIR4 (Maintain/Post Parked Invoices)
 - MIRO (Enter Incoming Invoice)
 - XK05 (Block/unblock vendor)
 - FB60 (enter incoming invoices)
 - MRBR (Release Blocked Invoices)
 - ME21N (Create Purchase Order)
 - MR11 (Goods Received /Invoice Receiving account maintenance)

LOS ANGELES UNIFIED SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

June 30, 2015

- There are between ten (10) to twenty-one (21) ITD Development personnel with access to each of the following SAP Accounts Payable production transactions:
 - MIR4 (Maintain/Post Parked Invoices)
 - XK01 (Create vendor)
- There was one (1) Functional personnel with access to the FK05 (block/unblock vendor) Accounts Payable production transaction.

Cause and Effect

Inadequate restriction to modify/update access to production accounting data can result in unauthorized changes that adversely impact the integrity of accounting and financial reporting information

Recommendation

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

Management Responses

- Developer access to the SM36 Batch transaction was removed by July 31, 2015.
- Production access to the SE38 Systems Engineering transaction was removed from the BASE team by July 31, 2015.
- We reviewed and updated the Production Support roles. Only four (4) ITD SAP Functional Analysts have access to PP03.
- For the SAP Fixed Asset transactions, we reviewed and updated the Production Support roles. Only limited ITD SAP Functional Analysts have access to the above transactions.
- For the SAP General Ledger transactions, access has been reviewed and restricted to limited ITD BASE team members.
- For the Accounts Payable transactions, we reviewed and updated the Production Support roles. Only limited ITD SAP Functional Analyst have the above transactions.
- IT will run the production log on a periodic basis to ensure that no ITD BASE team members post in production and remove inappropriate access in a timely manner.
- We will evaluate ITD support roles and ensure that business functions are appropriately segregated.

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FS-2015-002 Accounts Payable Three-Way Matching Control – Significant Deficiency

State Audit Guide Finding Code: 30000

Criteria

A division of roles and responsibilities that reduces the possibility for a single individual to subvert a critical process or complete a transaction without secondary or management approval should exist. Management should ensure personnel are performing only authorized duties relevant to their respective jobs and positions

Condition

We noted two (2) ITD Functional personnel that have the ability to Create a Purchase Order (via ME21N), Post an Invoice (via MIR4) and Receive Goods (via MR11)

Cause and Effect

Lack of segregation of duties in the accounts payable process could result in unauthorized payments being processed.

Recommendation

Conflicting access should be removed from SAP system users to ensure that no individual has the ability to create a purchase order, post an invoice and receive goods

Management Response

We reviewed and updated the Production Support roles. ME21N was removed and only four (4) ITD BASE team members have access to both MR11 and MIR4. We will evaluate ITD support roles and ensure that business functions are appropriately segregated.

FS-2015-003 MISIS Change Control Management – Significant Deficiency

State Audit Guide Finding Code: 30000

Criteria

Formal change management practices and procedures are designed to provide a standardized and controlled method for processing system change requests (including maintenance and patches) for critical application programs and infrastructure configuration changes. They also guide management approvals for program changes.

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Condition

Our sample of forty (40) MISIS TFS (Team Foundation Server) change items revealed:

- Three (3) MISIS TFS functionality enhancements have no evidence of Business Owner sign-off to go live into production. These TFS are #45030, 31880 & 23803.
- User acceptance testing (UAT) is not evidence by user or business owner sign-off to indicate their approval of testing.
- Eleven (11) MiSiS TFS enhancements do not have documented business owner approval. We were subsequently informed by the MiSiS team that these TFS were actually classified as “technical enhancements” or fixes and were therefore not subject to business owner approval. However, this policy is not indicated in the MiSiS Release Management procedures document. These TFS are #21454, 32235, 36842, 44252, 24767, 60213, 60204, 60212, 21181 & 21183.
- Business owner approvals are communicated in free form text emails and not a change management form or change management system designed to formally record and track such approvals (e.g., MOC, Remedy, etc.). As a result, it is difficult to ascertain formal business owner approval.

To provide perspective, there was a large volume of work processed, e.g., 100 per week, during the 2014-2015 school year in order to provide schools with the tools they need for school operations.

Cause and Effect

Insufficient management approval of program changes could cause unauthorized programs and invalid data being introduced into the MiSiS production environment.

Recommendation

We recommend that ITD management do the following relative to MISIS change management:

- Business Owner sign-offs/approvals for go live into production be consistently obtained for TFS functionality enhancements.
- Revise MISIS change management policy to address all MISIS program change types to include technical enhancements/fixes. Business owner approval of revised policy should be obtained to ensure change management procedures are effectively communicated to the user community.
- Require business owner sign-offs of user acceptance testing for MISIS functionality enhancements.
- Implement a change management system designed to formally record and track business owner approvals in place of using free form text emails.

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Management Response

The description above is reasonably accurate regarding the sample of 40 TFS items. The project has been moving to improve documentation of requests and requirements and approvals. Most of the items sampled were handled before the internal publication of Appendix A, Life Cycle of a TFS Item, in the Release Management document. The rapid pace and large quantity of work to meet critical needs and milestones of users constrained the quality of approval documentation in TFS.

We agree with the recommendation above. Going forward, the project is transitioning the largest portion of its development work to a more formal “Sketch” driven process in which requirements, use cases, and test cases are approved before development work is started. Approval forms are also completed following testing in order to give approval for release to Production. These approvals are to be documented in the MiSiS SharePoint site. In addition, increased automated regression testing is required prior to code being deployed. This “Sketch” driven process is a modified version of Microsoft’s Iterative Solution Development methodology. A work stream for a functional area typically has a repeating series of Phase 1 (Sketch) and Phase 2 (Design, Build, and Release). The sketch process has been implemented on October 15, 2015 and is operational.

A smaller quantity of development work will continue outside the Sketch process in order to address the more urgent, time sensitive needs of our users and business owners. The team will look to improve its use of TFS to document approvals for those items.

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Section III – Findings and Questioned Costs Relating to Federal Awards

Program Identification

Finding Reference Number:	F-2015-001
Federal Program Title, Awarding Agency, Pass-Through Entity, Catalog of Federal Domestic Assistance (CFDA) Number, and Award Number:	Adult Education and Family Literacy Act, Title II of the Workforce Investment Act of 1998, U.S. Department of Education, Passed through the California Department of Education, CFDA No. 84.002, Grant Agreement No. 14508 Improving Teacher Quality State Grants, U.S. Department of Education, Passed through the California Department of Education, CFDA No. 84.367, Grant Agreement No. PCA14341 Career and Technical Education - Basic Grants to States (Perkins IV), U.S. Department of Education, passed through California of Education, CFDA No. 84.048, Grant Agreement No. 15-14894-6473-00 Magnet School Assistance, U.S. Department of Education, CFDA No. 84.165A, Grant Agreement No. U165A130049 School Improvement Grants, Recovery and Reinvestment Act: U.S. Department of Education, Passed through the California Department of Education, CFDA No. 84.388 Grant Agreement 10-15020-6473
Compliance Requirement:	Cost Principles
State Audit Guide Finding Code:	30000 and 50000

Criteria

OMB Circular A-87, Cost Principles for State, Local, and Indian Tribal Governments, Attachment B, Selected Items of Cost, Part 8, Compensation for Personal Services, Section H, Support of salaries and wages:

- Where employees are expected to work solely on a single federal award or cost objective, charges for their salaries and wages will be supported by periodic certifications that the employees worked solely on that program for the period covered by the certification. These certifications will be prepared at least semiannually and will be signed by the employee or supervisory official having firsthand knowledge of the work performed by the employee.

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- Where employees work on multiple activities or cost objectives, a distribution of their salaries or wages will be supported by personnel activity reports or equivalent documentation that meets the standards in subsection (5) unless a statistical sampling system (see subsection (6)) or other substitute system has been approved by the cognizant federal agency. Such documentary support will be required where employees work on:
 - (a) More than one federal award,
 - (b) A federal award and a nonfederal award,
 - (c) An indirect cost activity and a direct cost activity,
 - (d) Two or more indirect activities which are allocated using different allocation bases, or
 - (e) An unallowable activity and a direct or indirect cost activity.
- Personnel activity reports or equivalent documentation must meet the following standards:
 - (a) They must reflect an after the fact distribution of the actual activity of each employee,
 - (b) They must account for the total activity for which each employee is compensated,
 - (c) They must be prepared at least monthly and must coincide with one or more pay periods, and
 - (d) They must be signed by the employee.

Condition

As part of our compliance review over payroll expenditures, we selected a sample of payroll expenditures charged to the program to ascertain if they were allowable per program regulations, accurately charged to the program, and appropriately supported in accordance with the OMB Circular A-87.

Workforce Investment Act:

In our sample of 60 payroll expenditures, we noted that three employees at one school site totaling \$17,125 and one employee at one school site totaling \$2,944 provided signed semiannual certifications; however, the certifications were dated subsequent to our request.

Total exceptions amounted to \$20,069 of the \$284,625 sampled from the \$7,498,708 of the total payroll expenditures.

Improving Teacher Quality:

In our sample of 60 payroll expenditures, we noted that three employees at one school totaling \$19,316 provided signed semiannual certifications; however, the certifications were dated subsequent to our request.

Total exceptions amounted to \$19,316 of the \$445,441 sampled from the \$31,663,923 of the total payroll expenditures.

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Career and Technical Education-Basic Grants to States:

In our sample of 60 payroll expenditures, we noted that two employees at two different departments totaling \$18,120 provided signed semiannual certifications; however, the certifications were dated subsequent to our request.

Total exceptions amounted to \$18,120 of the \$232,902 sampled from the \$2,148,579 of the total payroll expenditures.

Magnet School Assistance:

In our sample of 25 payroll expenditures, we noted that three employees at one school totaling \$4,026 and one employee from one school totaling \$1,087 provided signed semiannual certifications; however, the certifications were dated subsequent to our request.

Total exceptions amounted to \$5,113 of the \$50,333 sampled from the \$1,736,600 of the total payroll expenditures.

School Improvement Grants:

In our sample of 60 payroll expenditures, we noted that two employees at one school totaling \$13,665 and one employee from one school totaling \$9,567 provided signed semiannual certifications; however, the certifications were dated subsequent to our request.

Total exceptions amounted to \$23,232 of the \$50,333 sampled from the \$20,697,767 of the total payroll expenditures.

Cause and Effect

The conditions appear to be incidents where employees did not follow the District's policies and procedures.

Workforce Investment Act - this finding is a repeat finding and has been reported previously for June 30, 2013 and June 30, 2014 (F-13-01, and F-14-01).

Improving Teacher Quality this finding is a repeat finding and has been reported previously for June 30, 2014 (F-14-01).

Questioned Costs:

The total cost related to the untimely certifications amounted to \$85,850.

Workforce Investment Act (CFDA 84.002): \$20,069

Improving Teacher Quality (CFDA 84.367) \$19,316

Career and Technical Education-Basic Grants to States - Perkins IV (CFDA 84.048): \$18,120

Magnet School Assistance (CFDA 84.165A): \$5,113

School Improvement Grants (CFDA 84.388): \$23,232

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Recommendation

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

View of Responsible Officials, Corrective Action Plan, and Contact Information

The District is continuing its training on time and effort certifications for its employees. This task is challenging due to the large number of District employees, and due to a high rate of employee and administrator turnover.

Response was provided by the Accounting Control Department of Los Angeles Unified School District
Telephone: (213) 241-1000

Program Identification

Finding Reference Number:	F-2015-002
Federal Catalog of Domestic Assistance Number:	84.010
Federal Program Title:	Title I Grants to Local educational Agencies (LEAs)
Awarding Agency / Pass-Through Entity:	U.S. Department of Education, California Department of Education
Award Number	Grant Agreement 14329-6473
Compliance Requirement:	Activities Allowed or Unallowed
State Audit Guide Finding Code:	30000 and 50000

Criteria

Program and Budget Handbook issued by the Los Angeles Unified School District Federal and State Education Programs Branch 2014-15:

Single Plan for Student Achievement (SPSA) is a written plan developed by the school community describing the school's program and how resources will be used to meet the supplemental educational and related needs of participating students. California Education Code 9 (EC) Section 64001 requires that a School Site Council (SSC) develop the SPSA. The SSC must approve the plan, recommend it to the local governing board for approval (See "Developing a School Budget" page for delegated authority), monitor its implementation, and evaluate the effectiveness of the planned activities at least annually. Based on the SPSA evaluation and the comprehensive needs assessment, the SPSA must be updated to include any major changes.

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Budget Justification pages are completed annually for state and federal audits and for Federal Program Monitoring (FPM) purposes. They are an integral component of the SPSA, must be aligned with the stated goals of the SPSA, and must match the current budget in the areas listed below.

The school budget must be based on the assessed needs of participating students as determined by conducting a comprehensive needs assessment and as described in the *Single Plan for Student Achievement* (SPSA). The most efficient use of resources which support the plan and students' access to the core curriculum should be the rule.

Budgets should be developed with recommendations from the appropriate committees, i.e. ELAC. Their written recommendations must be brought to the School Site Council (SSC) for review and approval.

Condition

We sampled a total of sixty (60) schools to verify actual expenditures incurred were in accordance with the approved Single Plan for Student Achievement (SPSA), the schools' Budget Justifications, Budget Adjustment Request forms, as well as the Budget Maintenance worksheets. In our review of actual expenditures, we noted the following exceptions:

1. Ten (10) schools' had certain line item program expenditures totaling \$41,954 that were not included in the approved Budget Justification.
2. One (1) school's salary expenditures exceeded the amounts approved in the Budget Justification by \$14,767. However, the total program expenditures did not exceed the annual budget allocation to the school.
3. Three (3) schools had certain line item program expenditures totaling \$10,121 that were not included in the approved Budget Justification. These same three (3) schools' expenditures also exceeded the total amounts approved in the Budget Justification by \$38,924. However, the total program expenditures did not exceed the annual Title I's allocation to these schools.
4. One (1) school charged general supplies totaling \$23,425 to the grant. Purchase of general supplies with Title I fund is prohibited.

Cause and Effect

There does not appear to be adequate monitoring controls to ensure that the grant expenditures are incurred based on the approved Budget Justification and do not exceed the approved budget.

Questioned Costs

\$129,191

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Recommendation

The District should strengthen its budgetary controls over its charges to the Title I funded programs to ensure that the activities are funded in accordance with the SPSA and approved annual budget.

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

Staff from the Federal and State Education Programs (FSEP) Office will meet with the school fiscal specialists to emphasize the importance of reminding schools to more closely monitor Title I-funded payroll expenditures to ensure that schools stay within their budget and that funds are expended only on approved budgeted positions included in the Single Plan for Student Achievement (SPSA).

To ensure that schools don't use Title I funds for unallowable non-salary expenditures, the FSEP office established, beginning in the 2015-16 school year, a protocol built within the financial system (Schools Front End), so that all proposed expenditures in supplemental instructional materials (SIM) entered into the shopping cart by the school must be first approved by one of the two Title I-funded coordinators assigned to each local district. Furthermore, the FSEP office runs quarterly reports of all Title I school expenditures purchased through the Imprest account or the P-Card to ensure that they are both allowable and budgeted in the SPSA; schools with expenditures not adhering to this are required to pay back the Title I program using non-federal funds.

Name: Ms. Karen Ryback

Title: Director, Federal and State Education Programs

Telephone: (213) 241-6990

Program Identification

Finding Reference Number:	F-2015-003
Federal Catalog of Domestic Assistance Number:	93.575 and 93.596
Federal Program Title:	Child Care and Development Fund: Child Care and Development Block Grant, Child Care Mandatory and Matching Funds of the Child Care and Development Fund
Awarding Agency / Pass-Through Entity:	U.S. Department of Health and Human Services, California Department of Education
Award Number	Grant Agreement CSPP-4202 and CCTR-4101
Compliance Requirement:	Eligibility
State Audit Guide Finding Code:	30000 and 50000

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Criteria

Section D of the District Contract with CDE, Certification of Eligibility: The contractor shall designate the staff person authorized to certify eligibility. Prior to initial enrollment and at the time of recertification, an authorized representative of the contractor shall:

- Certify each family's/child's eligibility for child care and development services after reviewing the completed application and documentation contained in the family data file.
- Issue a Notice of Action and Application for services.

Section E, Child Care and Development Center-Based Program Requirements, Contents of Family Data File:

- The Contractor shall establish and maintain a family data file for each family receiving child care and development services.
- The family data file shall contain a completed and signed application for services and the following records as applicable to determine eligibility and need in accordance with above:
 - a. Documentation of income eligibility, including an income calculation worksheet;
 - b. Documentation of employment;
 - c. Documentation of seeking employment;
 - d. Documentation of training;
 - e. Documentation of parental incapacity;
 - f. Documentation of child's exceptional needs;
 - g. Documentation of homelessness;
 - h. Documentation of seeking permanent housing for family stability;
 - i. Written referral from a legally qualified professional from a legal, medical or social services agency or emergency shelter for children at risk of abuse, neglect or exploitation;
 - j. Written referral from a county welfare department, child welfare services worker, certifying that the child is receiving protective services and the family requires child care and development services as part of the case plan;
 - k. For parents receiving cash assistance, documentation regarding the approved welfare to work plan or activity that may include documentation of days and hours of need;
 - l. If the parent of the child was on cash assistance, the date the parental cash aid was terminated.
 - A signed Child Care data collection Privacy Notice and Consent Form CD 9600A (Rev. 01/04) shall be included.
 - Notice of Action, Application for Services and/or Recipient of Services shall be included.
 - The family data file shall contain all child health and current emergency information required by California Code of regulations, Title 22, Social Security, Division 12, and Community Care Facilities Licensing Regulations with the following exception. Immunization records are not required to be in the family data file for children attending a public or private elementary school or for children receiving care in licensed facilities and reimbursed pursuant to Education Code sections 8220 and 8350.

Early Education Center Program Manual – Program Policy (CSPP and CCTR) states:

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2.11.1 The 9600 (Confidential Application for Child Development Services and Certification of Eligibility) and the Notice of Action are then generated from the Family Summary page in EESIS. Verify that the information, including all dates, are correct on the 9600. The 9600 must be signed in Section VII by the EEC Principal. The parent must sign and date Section V.

2.11.2 A Notice of Action (NOA) must be generated in order to finalize the process and generate fees, if applicable. The NOA advises the parent of due process requirements if they disagree with the agency's actions. The NOA must be given to the parent at least fourteen (14) calendar days before the effective date of the intended action (19 calendar days if mailed). See Chapter 9 for more information about the appeal process.

All signed/initialed NOAs should be scanned into the Images page in EESIS.

3.1.9 The self-declaration of income should only be used when all other options have been exhausted and should not be used as the default.

If the employer refuses or fails to provide documentation, or if requesting documentation from the employer would in any way jeopardize the parent's employment, the parent can provide other records to document income along with a *Self-Certification of Income* form signed under penalty of perjury. The Office Manager should make notes in the LAUSD Section of the *Self-Certification* to indicate how the reasonableness of the income was assessed and should also note that the employer declined to complete the form.

5.1 A child's birth certificate showing only the mother's name is sufficient documentation of single parent status if the mother indicates she is still single. But when only one parent has signed the application and the information indicates the child has another parent whose name does not appear on the application, the absence (or presence) of that parent must be documented. Single parent status must be re-documented every year unless the parent can provide legal or official documents.

Condition

In our procedures performed to determine eligibility for the childcare programs funded by this cluster, we sampled a total of sixty (60) participants from twenty-five (25) out of ninety (90) Early Education Child Care Centers (EECCs) and requested the family files such as annual recertification forms, pay stubs or letter and noted the following:

- a) Nine (9) of the Self-Certificate of Income Forms was used as a primary source to support family income; however, the *LAUSD Section* of the forms was not filled out by the EECCs to indicate how the reasonableness of the income was assessed;
- b) Two (2) NOAs were not signed by the EECCs' principal and one (1) NOA was not signed by the parent;
- c) Six (6) files lacked a proper documentation supporting the single parent status;
- d) One (1) family size was erroneously under reported by one (1) member; however, there was no impact on the eligibility status and family fee assessment.
- e) One (1) family fee was erroneously miscalculated resulting in over charging the family fee by \$2 per day, or approximately \$606 for the program year 2014-15;
- f) One (1) family fee was erroneously miscalculated resulting in under charging the family fee by \$4 per day, or approximately \$976 for the program year 2014-15.

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Cause and Effect

It appears that a lack of effective and timely monitoring by the District over the functions performed by the center managers and possible staffing issues have resulted in a failure to follow procedures during eligibility determination and annual recertification.

Questioned Costs

The questioned cost could not be assessed for the exceptions noted for (a) and (b) because they may or may not have any impact on the family's eligibility status.

The questioned cost for the inadequate support for the single parent status amounted to \$41,237 based on the contract rates (i.e. \$36.07 for CCTR and \$36 for CSPP) per day multiplied by the total number of program operation days (i.e. 245 for CCTR and 180 for CSPP) for fiscal year 2014-15.

The questioned cost for the miscalculation of the under-charging the family fee amounted to \$976.

Recommendation

We recommend that the District strengthen its monitoring process to ensure that student files are reviewed on a regular basis in order to comply with the contract and records provision. The District should also continue to provide training sessions for the center managers to ensure that they are aware of the federal requirements in relation to eligibility and that the required documentation is being maintained.

Views of responsible Officials and Planned Corrective Actions, and Contact Information

The District agrees with the audit findings. The Early Childhood Education Division has experienced high turnover of Office Managers for various reasons. Of the 25 Early Education Centers (EECs) that were audited, 11 centers experienced Office Manager turnover during the past one to two years. Some had multiple short-term subs, some had long-term subs, and some were new to the position due to the retirement or promotion of the previous office manager. Although training was provided, we believe unusually high turnover is a contributing factor to the audit findings.

The Early Childhood Education (ECE) Division has implemented the following corrective action plan:

- One-on-one training is provided to new Office Managers by their Eligibility Technician, usually within the first week or two of hire date.
- After initial training, the Eligibility Technician, or Senior Eligibility Technician, visits the Office Manager at their center on an as-needed basis in order to provide more direct assistance.
- Eligibility Technicians are available to Office Managers and Principals by email and by phone from 6:30-5:00 daily. Special attention is given to sites experiencing problems.
- Group training was provided to new Office Managers on March 24, 2015 and will be provided as new groups are hired.
- Mandatory Training for all Office Managers was completed on the dates listed below:
 - Summer Training: July 15, 2014

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- Spring Training: March 30, 2015 and April 7, 2015
 - Fall Training: October 7, 2015
 - Additional Office Manager training sessions will be scheduled for winter and spring of 2016 and will focus on audit exceptions.
 - Policy training was also provided to EEC Principals on April 15, 2015.
- A comprehensive policy manual was provided to all Principals and Office Managers in early 2014. The manual is revised as policy changes. Both Principals and Office Managers are strongly encouraged to consult the manual for guidance. It is also available online.

The above-listed actions have been implemented as of November 18, 2015 and are part of the standard ongoing operational procedures of the Division.

Name: Claire Ealy

Title: Early Education Technology and Compliance Manager

Telephone: (213) 241-1140

Program Identification

Finding Reference Number:

F-2015-004

Federal Program Title, Awarding Agency, Pass-Through Entity, Catalog of Federal Domestic Assistance (CFDA) Number, Award Number:

Magnet School Assistance, U.S. Department of Education, CFDA No. 84.165A, Grant Agreement Nos. U165A130049 and U165A100057;

Career and Technical Education-Basic Grants to States (Perkins IV), U.S. Department of Education, passed through California of Education, CFDA No. 84.048, Grant Agreement No. 15-14894-6473-00;

Teacher Incentive Fund Initiative; U.S. Department of Education, CFDA No. 84.374A, Grant Agreement No. S374A120066;

Title I Grants to Local Educational Agencies (LEAs), U.S. Department of Education, Passed through the California Department of Education, CFDA No. 84.010, Grant Agreement 14329-6473.

Compliance Requirement:

Equipment Management

State Audit Guide Finding Code:

20000, 30000, and 50000

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Criteria

Code of Federal Regulations, Title 34 – Education, Part 80 – Uniform Administrative Requirements for Grants and Cooperative Agreements to State and Local Governments – Subpart C – Post – Award Requirements, Section 80.32, Equipment, Part (d):

- Management Requirement – Procedures for managing equipment (including replacement equipment), whether acquired in whole or in part with grant funds, until disposition takes place will, as a minimum, meet the following requirements:
 - (1) Property records must be maintained that include a description of the property, a serial number or other identification number, the source of property, who holds title, the acquisition date, and cost of the property, percentage of Federal participation in the cost of the property, the location, use and condition of the property, and any ultimate disposition data including the date of disposal and sale price of the property.
 - (2) A physical inventory of the property must be taken and the results reconciled with the property records at least once every two years.
 - (3) A control system must be developed to ensure adequate safeguards to prevent loss, damage, or theft of the property. Any loss, damage, or theft shall be investigated.
 - (4) Adequate maintenance procedures must be developed to keep the property in good condition.
 - (5) If the grantee or subgrantee is authorized or required to sell the property, proper sales procedures must be established to ensure the highest possible return.

BUL-3508.7 Section III – Categorical Equipment Inventory Database – In this section, add newly purchased equipment items with a total final cost of \$500 or more to the school's historical Categorical Equipment Inventory database.

Condition

Magnet School Assistance:

In our procedures performed to determine the District's compliance with the equipment management requirement, we sampled a total of eight (8) out of ten (10) schools and departments from the two (2) grants awarded and noted the following exceptions:

1. Two (2) schools funded by the grant number U165A100057 (which ended September 30, 2014) did not perform the physical inventory count for the items purchased in 2012-13 and prior. However, the schools performed the physical inventory count subsequently and provided us with the certification.
2. Two (2) schools funded by a new grant (U165A130049) did not update the inventory logs for a total of forty-four (44) equipment purchases during the fiscal year 2014-15. However, the inventory logs were updated subsequently and provided for the audit.

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Career and Technical Education-Basic Grants to States (Perkins IV):

In our procedures performed to determine the District's compliance with the equipment management requirement, we sampled a total of sixteen (16) out of sixty-three (63) schools and reviewed pertinent documents such as inventory logs and noted the following:

1. Five (5) schools did not complete a review of the physical inventory for those equipment items purchased in or prior to 2012-13. This physical inventory was subsequently performed in May 2015 and all inventory was accounted for.
2. Two (2) schools did not update the inventory logs for a total of seventeen (17) equipment items purchased during the fiscal year 2014-15.

Teacher Incentive Fund (TIF):

In our procedures performed to determine if the District was in compliance with the policies and procedures for equipment management, we noted that a server purchased with the grant funds totaling \$70,403 was not included in the 2014-15 equipment inventory log. Talent Management Division (TMD), the District department that operates the programs funded by TIF, explained that since Information Technology department (ITD) was in possession of the server, the equipment should be logged by their department. Upon further inquiry and review of the ITD inventory log, we noted that the equipment was reported in the ITD's inventory log; however, the funding source was not included.

In addition, during our review of the inventory log provided for 2014-15, a missing item was noted by the inspector who performed the physical inventory; however, TMD was unable to locate the disposal of Equipment Form (Form) that is required to be filed for missing items. Subsequent to our audit, the Form was filed and a copy was provided for our review.

Title I Grants to LEAs:

In our procedures performed to determine the District's compliance with the equipment management requirement, we sampled a total of 60 schools that submitted the Principal Certification Inventory (CEI) and verified if these logs were completed in accordance with BUL-3508.7. We noted that five (5) schools did not update the log properly to include all equipment purchased with Title I grants.

Cause and Effect

Inadequate supervision and insufficient guidance/training to the personnel at the schools over inventory and management of equipment or property may have contributed to these issues. Inadequate information could result in non-compliance with the grant requirements.

Teacher Incentive Fund: The item that was missing from the inventory log appears to be an isolated incident. There appears to be a miscommunication between the TMD and ITD.

Title I Grants to LEAs: This is a repeat finding from Fiscal Years 2008-09 – 2013-14 (F-09-06, F-10-04, F-11-04, F-12-04, F-13-04, and F-14-03).

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Questioned Cost

Not applicable. This finding is considered a programmatic non-compliance issue as well as a deficiency in the internal control system to properly monitor and supervise the personnel who are assigned to perform the inventory management.

Recommendation

We recommend the District continue to strengthen its controls over property management by providing adequate supervision/training to ensure that inventory management be performed properly.

Views of responsible Officials, Planned Corrective Actions, and Contact Information

Magnet School Assistance:

Grant U165A100057 - Although this grant is expired, schools were instructed to complete a physical check for equipment purchased from 2010 to 2012, which included a description, serial number, purchase date, delivery date, cost, location, current condition and disposition of the equipment and Administrator signature. These documents were completed and provided to the auditor for review during the course of this audit.

Name: Lisa Le Sassier
Title: Coordinator
Telephone: (213) 241-5695

Grant U165A130049 (new) – Equipment inventory procedures will be reviewed with appropriate personnel by January 31, 2016. A physical check of all inventories will be performed once a year.

Name: Cheryl Minke
Title: Interim Project Director
Telephone: (213) 241-4285

Career and Technical Education-Basic Grants to States (Perkins IV):

Equipment inventory procedures pursuant to the Federal, State, and LAUSD procedures will be reviewed with school based CTE Advisors, CTE pathway teachers, and school principals for the schools who receive Perkins funding. Physical check of all inventories will be performed once a year.

We will also explore the possibility of using a barcode scanner for creating and tracking the items on the inventory.

Name: Seema Puri
Title: CTE Coordinator, LAUSD
Telephone: (213) 241-1298

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Teacher Incentive Fund (Talent Management Division):

We agree that a comprehensive and up to date inventory of Teacher Incentive Fund (TIF) funded equipment is important. However, for the particular piece of equipment (server) that is sited, Professional Learning and Leadership Development (PLLD; formally TMD) staff do not have access to this equipment and cannot reasonably maintain an accurate inventory because this equipment is only available to and maintained by ITD staff. To ensure that a comprehensive and accurate TIF inventory exists, PLLD staff will provide ITD with a template inventory that they must complete for all TIF funded equipment. When PLLD staff perform their regular audit of TIF funded equipment, they will request an updated inventory from ITD. By taking these corrective actions we will ensure that PLLD has a centralized inventory of all TIF funded equipment while also ensuring that each department (ITD and PLLD) is independently responsible for inventorying and auditing their own TIF funded equipment.

Name: Linda Del Cueto

Title: Professional Learning and Leadership Development

Telephone: (213) 241-6231

Teacher Incentive Fund (Information Technology Division):

ITD will work with the PLLD and all other District offices to ensure that asset information (make, model, serial number, acquisition date, acquisition cost, location, condition, and other pertinent data) of IT equipment purchased with funding from these offices and located in ITD will be provided to these offices to fulfill their equipment inventory.

As ITD SADE Branch utilizes Atrium Discovery and Dependency Mapping (ADDM) to discover servers, a manual log of equipment housed in the data center is being kept by the Data Center Operations Branch. The goal of IT Asset Management is to implement a single repository of IT asset data (procurement, location, and condition) to be able to assist District offices with inventory of their IT equipment.

Name: Daphne Congdon

Title: Director of Information Technology, Support Services

Telephone: (213) 241-1073

Title I Grants to LEAs:

The Federal and State Education Programs (FSEP) Office has put strong controls in place to ensure that schools properly maintain equipment inventories according to federal and state requirements. As per BUL-3508.7, all schools must turn in a completed categorical equipment inventory to FSEP annually; this is monitored and FSEP staff contact schools to ensure submittal of the inventory occurs. The FSEP office created an electronic inventory template and the Title I Coordinators assigned to each local district trained school staff on the use of the template.

All proposed categorically-funded equipment purchases are restricted and schools must obtain signed approval from the FSEP office before entering the purchase into the shopping cart to initiate the procurement transaction. In this manner, the FSEP office monitors the categorical equipment inventories to ensure schools have added all equipment on their inventory, if purchased, each year.

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Moving forward, the FSEP office will continue to ensure that, annually, schools are adequately trained via the local district Title I coordinators on all procedures and requirements related to the categorical equipment inventories. FSEP will also identify high-risk schools (e.g., schools that are slow to turn in their inventory, schools that have made several large equipment purchases, or schools cited as having an incomplete inventory) to more closely monitor their categorical equipment inventories.

Name: Karen Ryback

Title: Director, Federal and State Education Programs

Telephone: (213) 241-6990

Program Identification

Finding Reference Number:	F-2015-005
Federal Catalog of Domestic Assistance Number:	84.334
Federal Program Title:	Gaining Early Awareness and Readiness for Undergraduate Programs (GEAR-UP),
Awarding Agency:	U.S. Department of Education
Award Number:	P334A110166
Compliance Requirement:	Matching
State Audit Guide Finding Code:	30000 and 50000

Criteria

Code of Federal Regulations – Title 34 – Education, Part 80 – Uniform Administrative Requirements for Grants and Cooperative Agreements to State and Local Governments – Subpart C – Post-Award Requirements, Section 80.24, Matching or cost sharing:

- Records. Costs and third-party in-kind contributions counting toward satisfying a cost sharing or matching requirement must be verifiable from the records of grantees and subgrantee or cost-type contractors. These records must show how the value placed on third-party in-kind contributions was derived. To the extent feasible, volunteer services will be supported by the same methods that the organization uses to support the allocability of regular personnel costs.

U.S Department of Education: Gaining Early Awareness and Readiness for Undergraduate Programs, Office of Postsecondary Education:

- Section 404C(b) of the Higher Education Act requires at least 50% of the total cost of a GEAR UP project to be paid with State, local, institutional, or private funds.

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- Some GEAR UP grantees proposed in their applications matching contributions exceeding the statutory minimum. Under the GEAR UP regulations at 34 CFR 694.7(a) (2), a grantee is obligated to contribute the entire amount of match stated in its application, even if the amount exceeds the statutory requirement.
- Grantees are required by the GEAR UP regulations at 34 CFR 694.7(a) (2) to comply with the matching percentage stated in their applications for each individual year of the grant.

Condition

In our procedures performed over matching contributions, we noted that the District reported a total of \$3,358,536 matching expenditures for the reporting period of October 1, 2013 through September 30, 2014, which was due and submitted in April 2015. Of the total matching expenditures reported, \$723,923 was derived from the District's partners and \$2,634,613 was contributed from the District's resources. We randomly selected 12 transactions totaling \$138,902 from the partners' matching expenditures and 28 transactions totaling \$228,835 from the District's own resources and noted that the documentation for 3 out of 12 transactions provided by a partner was not adequately supported; as such, we were unable to agree the reported amount to the supporting documentation provided totaling \$9,288.

Cause and Effect

The condition happened prior to the implementation of the District's procedures to monitor and review the matching expenditures of the District's partners. The exceptions noted above were for matching expenditures for reporting period of October 1, 2013 through September 30, 2014.

Questioned Cost

Total exceptions amounted to \$9,288 of \$138,902 sampled from the total matching expenditures provided by District's partners totaling \$723,923.

However, the District's partner reported additional matching expenditures in the amount of \$8,350 to the District subsequently, which was not included in the original reported matching expenditures. The partner also provided the supporting documentation for the additional matching expenditures. As such, questioned cost related to the partner's matching expenditures was reduced by \$8,350 to \$938.

Recommendation

We recommend that the District continue to follow the newly established procedures to monitor and review the matching expenditures of the District's partners.

Views of responsible Officials, Planned Corrective Actions, and Contact Information

The District agrees with the recommendation and the procedures previously established in December 2014 will now be in effect beginning with the October 1, 2014 through September 30, 2015 fiscal year.

Name: Lois Bramwell

Title: Program Supervisor

Telephone: (213) 241-0150

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Program Identification

Finding Reference Number:

F-2015-006

Federal Program Title, Awarding Agency, Pass-Through Entity, Catalog of Federal Domestic Assistance (CFDA) Number, and Award Number:

Child Care and Development Fund: Child Care and Development Block Grant, Child Care Mandatory and Matching Funds of the Child Care and Development Fund, Department of Health and Human Services, California Department of Education, CFDA Nos. 93.575 and 93.596, Grant Agreement CSPP-4202 and CCTR-4101;

Child and Adult Care Food Program, U.S. Department of Agriculture, California Department of Education, CFDA No. 10.558, Grant Agreement 19-64733-0000000-01.

Compliance Requirement:

Reporting

State Audit Guide Finding Code:

30000 and 50000

Criteria

Child Care and Development Fund

Section C Enrollment and Attendance Accounting - VI of the District Contract with CDE, Accounting and Reporting Requirements:

Contractors shall use daily sign-in/sign-out sheets as a primary source document for audit and reimbursement purposes.

One of the following persons shall enter the time of arrival and departure on a sign-in/sign-out sheet and, except as specified below, shall sign the sheet using their full signature for both arrival and departure times:

- The parent or other adult authorized by the parent to drop off/pick up a child; or
- The staff person designated by the contractor as the person responsible for entering the times of arrival and departure if the child is not dropped off/picked up by a parent or other adult authorized by the parent

Section D – Attendance and Absences: Attendance, for the purposes of reimbursement, includes excused absences because of illness or quarantine of the child, illness or quarantine of their parent, family emergency, court-ordered visitations or a reason which is clearly in the best interest of the child.

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Child and Adult Care Food Program

Title 7 – Agriculture, Chapter II, Park 226 Child and Adult Care Food Program, Section (c) of 226.10 “Program Payment Procedures”:

Claims for Reimbursement shall report information in accordance with the financial management system established by the State agency, and in sufficient detail to justify the reimbursement claimed and to enable the State agency to provide the final Report of the Child and Adult Care Food Program (FNS 44) required under § 226.7(d). In submitting a Claim for Reimbursement, each institution shall certify that the claim is *correct and that records are available to support that claim*.

Condition

Child Care and Development Fund

To verify the accuracy of the attendance records, we obtained and reconciled the attendance records reported in the Early Education Student Information System (EESIS), a database system with features designed to track and report attendance data, to the daily sign-in/sign-out for sixty (60) weeks randomly selected from fifteen (15) Early Education Child Care Centers (EECCs). As a result of the reconciliation, we noted the following four (4) discrepancies from three (3) EECCs:

- One sign-in/sign-out sheet tracked two (2) days of “present” and three (3) days of “illness; however; EESIS reported three (3) days of “present” and Two (2) days of “illness”.
- One sign-in/sign-out sheet tracked three (3) days of “present”, one (1) day of “illness” and one (1) day of “unspecified absence”; however; EESIS reported one (1) day of “illness” and four (4) days of “present”.
- One sign-in/sign-out sheet tracked three (3) days of “present” and two (2) days of “unspecified absence”; however; EESIS reported five (5) days of “present”.
- One sign-in/sign-out sheet tracked five (5) days of “illness”; however; EESIS reported four (4) days of “illness” and one (1) day of “present”.

Child and Adult Care Food Program

To verify the accuracy of meals claimed, we randomly selected a total of sixty (60) days from twenty-five (25) out of ninety (90) Early Education Child Care Centers (EECCs). Based on our review of the underlying daily meal and snack count records, we noted the following variances in meals claimed by eight (8) EECs for nine (9) out of sixty (60) days:

- Breakfast counts were over / (under) reported by 1 and (20), respectively;
- Lunch counts were over / (under) reported by 11 and (25), respectively; and,
- Snack counts were over / (under) reported by 17 and (9), respectively.

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Cause and Effect

Child Care and Development Fund – There appears to be incidents where inaccurate attendance was reported by District staff.

Child and Adult Care Food Program – The condition appears to be due to oversight and lack of adequate training of the meal count process at the EECs level, which resulted in reporting errors.

Questioned Costs

Child Care and Development Fund

The questioned costs for the above-mentioned discrepancies in the attendance records could not be assessed (i.e., undetermined) because the District's final reimbursement amount will be determined by the California Department of Education (CDE) in accordance with sections 18039, 18054, and 18064 under the Title 5 of the California Code of Regulations (CCR). The CDE's determination is normally performed in January, seven months after the fiscal year end.

According to § 18054 "Determination of Reimbursable Amount":

"....all contractors shall be reimbursed for an audited claim that is the least of the following:

- (1) The maximum reimbursable amount as stated in the annual child development contract; or
- (2) The net reimbursable program costs; or
- (3) The product of the adjusted child days of enrollment for certified children, times the contract rate per child day of enrollment, times the actual percentage of attendance plus five percent (5%), but in no case to exceed one hundred percent (100%) of enrollment."

Child and Adult Care Food Program

The questioned cost for the total over and (under) billing amounted to \$48.34 and (\$114.28), respectively. The questioned cost is determined using the corresponding reimbursable rates contracted with CDE.

Recommendation

Child Care and Development Fund

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

Child and Adult Care Food Program

We recommend the District provide guidance to its EEC operators to be more conscientious during the meal count process. The District should also strengthen its controls regarding the claim process to ensure the accuracy of the counts.

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Views of responsible Officials and Planned Corrective Actions, and Contact Information

Child Care and Development Fund

The District agrees with the audit findings. The Early Childhood Education Division has experienced high turnover of Office Managers for various reasons. Of the 25 Early Education Centers (EECs) that were audited, 11 centers experienced Office Manager turnover during the past one to two years. Some had multiple short-term subs, some had long-term subs, and some were new to the position due to the retirement or promotion of the previous office manager. Although training was provided, we believe unusually high turnover is a contributing factor to the audit findings.

The Early Childhood Education (ECE) Division has implemented the following corrective action plan:

- One-on-one training is provided to new Office Managers by their Eligibility Technician, usually within the first week or two of hire date.
- After initial training, the Eligibility Technician, or Senior Eligibility Technician, visits the Office Manager at their center on an as-needed basis in order to provide more direct assistance.
- Eligibility Technicians are available to Office Managers and Principals by email and by phone from 6:30-5:00 daily. Special attention is given to sites experiencing problems.
- Group training was provided to new Office Managers on March 24, 2015 and will be provided as new groups are hired.
- Mandatory Training for all Office Managers was completed on the dates listed below:
 - Summer Training: July 15, 2014
 - Spring Training: March 30, 2015 and April 7, 2015
 - Fall Training: October 7, 2015
 - Additional Office Manager training sessions will be scheduled for winter and spring of 2016 and will focus on audit exceptions.
 - Policy training was also provided to EEC Principals on April 15, 2015.
- A comprehensive policy manual was provided to all Principals and Office Managers in early 2014. The manual is revised as policy changes. Both Principals and Office Managers are strongly encouraged to consult the manual for guidance. It is also available online.

The above-listed actions have been implemented as of November 18, 2015 and are part of the standard ongoing operational procedures of the Division.

Name: Claire Ealy

Title: Early Education Technology and Compliance Manager

Telephone: (213) 241-1140

Child and Adult Care Food Program

The Food Services Division agrees with the recommendation. We have started offering a refresher course to the Area Food Services Supervisors, EEC Food Service Managers and additional training to Food Service Workers, as deemed necessary, on the proper completion of the meal count reports. The refresher course also emphasizes a best practice on the reconciliation of the number of meals served to students. It includes a sample test/quiz. The training began via webinar on December 3, 2015.

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Name: Laura Benavidez
Title: Interim Co-Director of Food Services
Telephone: (213) 241-2999

Program Identification

Finding Reference Number:	F-2015-007
Federal Catalog of Domestic Assistance Number:	84.010
Federal Program Title:	Title I Grants to Local Education Agencies (LEAs)
Awarding Agency / Pass-Through Entity:	U.S. Department of Education, California Department of Education
Award Number	Grant Agreement 14329-6473
Compliance Requirement:	Special Tests and Provisions
State Audit Guide Finding Code:	30000 and 50000

Criteria

Assessment System Security

Section 1111(b)(3)(C)(iii) of the ESEA – Academic assessments (A) In general: Such assessments shall – (i) be the same academic assessments used to measure the achievement of all children; (ii) be aligned with the State’s challenging academic content and student academic achievement standards, and provide coherent information about student attainment of such standards; (iii) be used for purposes for which such assessments are valid and reliable, and be consistent with relevant, nationally recognized professional and technical standards;

REF-6316 – California English Language Development Test (CELDT) Training for Principals and Coordinators and Electronic Submission of Test Security Forms for 2014-15. Part 1 of Section II – Required CELDT Testing Security Forms:

Prior to the delivery of the CELDT materials to schools, the District is required by the California Department of Education (CDE) to obtain the CELDT Test Security Agreement and Affidavit forms from principals.

REF-6413 – 2014-15 California Assessment of Student Performance and Progress (CAASPP) Test Security Forms and Principal’s Portal Requirements. Section C – Principal and Coordinator Training for Administering CAASPP tests:

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When the CAASPP coordinator is designated in the Principal's Portal, the appointee is automatically enrolled in three separate trainings in the Learning Zone:

- 2014-15 CAASPP Security Forms Training
- 2014-15 CAASPP Training for Coordinators
- 2014-15 Smarter Balanced Coordinator Training

The CAASPP coordinator should complete the 2014-15 CAASPP Security Forms Training by Friday, November 21, 2014. The other two trainings will be available in early spring 2015 and they must be completed before any CAASPP tests are administered at the school.

Highly Qualified Teachers and Paraprofessionals

No Child Left Behind Act Section 1119, (i) Verification of Compliance:

- (1) In General – In verifying compliance with this section, each local educational agency, at a minimum, shall require that the principal of each school operating a program under section 1114 or 1115 attest annually in writing as to whether such school is in compliance with the requirements of this section.

MEM-6400: F – Principal Certification Form for the 2014-15 School Year: The Principal certification Form for the 2014-15 school year may be found online at <http://go.teachinla.com/nclb>. Principals must complete and submit the Certification Form electronically no later than November 21, 2014.

Upon reviewing the school's teacher roster, if any teacher assigned to an NCLB core subject is not highly qualified, the school is not in compliance with NCLB with respect to teacher qualifications. If this information appears to be inaccurate, or if you have questions regarding the NCLB compliance of a specific teacher, please call the NCLB Unit-Certificated, Credentials, Contract and Compliance Services at (213) 241-2062.

Title 34 – Education, Secondary Education, Department of Education, Part 200 – Title I – Improving the Academic Achievement of the Disadvantaged, Subpart A – Improving Basic Programs Operated by Local Educational Agencies, Section 200.58, Qualifications of paraprofessionals:

A paraprofessional must hold a high-school diploma or its recognized equivalent and meet one of the following requirements:

1. Completed at least two years of study at an institution of higher education;
2. Obtained an associate's or higher degree; or
 - i. Met a rigorous standard of quality, and can demonstrate through a formal State or local academic assessment knowledge of, and the ability to assist in instructing, as appropriate:
 - Reading/language arts, writing, and mathematics or
 - Reading readiness, writing readiness, and mathematics readiness.
 - ii. A secondary school diploma or its recognized equivalent is necessary, but not sufficient, to meet the requirement in paragraph (c)(3)(i) of this section.

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Condition

Assessment System Security

In our procedures to ascertain that the District has implemented test security measures, we obtained and reviewed the District's Reference Guides for the CELDT and CAASPP tests. In testing the District's adherence to the Reference Guides, we selected a sample of sixty (60) out of 7,503 security agreements, affidavits, and certificates that were required to be completed during the school year 2014-15, to determine whether the required forms were completed prior to the administration of the CELDT, CAHSEE, and CAASPP tests at the schools. We noted that the CELDT testing security forms for two (2) coordinators were completed after the test date. In addition, the District was unable to provide one (1) CELDT testing security form and two (2) CAASPP security forms. As a result, we were unable to determine whether these security forms were completed prior to the test date.

Highly Qualified Teacher

In our procedures to verify that the District's compliance with the highly qualified teachers requirement and timely submission of Principal Certification Form, we obtained a log maintained by the Certified Workforce Management and Qualification Division (Division) to track the status of Principal Certification Form submission and highly qualified teachers. We selected sixty (60) schools from the log to determine whether the Principal Certification Forms were submitted in a timely manner and whether teachers assigned to an NCLB core subject are highly qualified. We noted that twenty-nine (29) schools submitted the Principal Certification Forms after the extended due date of January 30, 2015. Also, we noted that at one (1) school where the Principal certified that all teachers assigned to an NCLB core subject are highly qualified, one (1) teacher assigned to an NCLB core subject was not highly qualified.

Highly Qualified Paraprofessional

In our procedures to verify if the District is in compliance with the highly qualified paraprofessional requirement, we selected forty (40) out of 3,566 paraprofessionals funded by Title I, Part A during the fiscal year 2014-15 and noted that the supporting document for an associate of arts degree of one (1) employee was obtained from the school subsequent to our request.

Cause and Effect

Assessment System Security

The District has policies and procedures in place to implement test security measures as demonstrated by the Reference Guides. The condition appears to be an internal control deficiency where personnel did not follow the District's policies and procedures.

Highly Qualified Teacher

The District has policies and procedures in place to monitor the status of Principal Certification Form submission and adherence with the highly qualified teacher requirement as demonstrated by the log maintained by the Division. During fiscal year 2014-15, the District implemented a new student

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information system and experienced implementation issues that delayed the Principal Certification process.

For the one (1) school where the Principal certified that all teachers assigned to an NCLB core subject are highly qualified when one (1) teacher assigned to an NCLB core subject was not highly qualified; this is an isolated incident due to staff oversight.

Highly Qualified Paraprofessional

The District does have a proper procedure in verifying the highly qualified status of the paraprofessionals before placing them in the Title I, Part A funded programs. However, the condition resulted from improper recordkeeping in the personnel file.

Questioned Costs

Assessment System Security

Not applicable. This finding is considered a programmatic non-compliance issue as well as a deficiency in the internal control over monitoring and maintaining the CELDT and CAASPP Security Forms.

Highly Qualified Teachers and Highly Qualified Paraprofessional

The finding related to the Principal Attestation is a programmatic non-compliance issue and it does not constitute any questioned costs.

Recommendation

Assessment System Security

We recommend that the District strengthen its monitoring process to ensure that the required Security Forms are signed and dated prior to the test date and are maintained in a systematic manner.

Highly Qualified Teachers

We recommend that the District strengthens its monitoring process to ensure that schools are compliant with the principal attestation requirement and submit the accurate certifications timely.

Highly Qualified Paraprofessionals

We recommend that the District strengthens its policies and procedures to ensure that all Title I Basic funded paraprofessionals are highly qualified.

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

Assessment System Security

Background

The Student Testing Branch has processes and procedures in place to collect security documents for each testing program prior to the delivery of testing materials to schools. Initially, principals electronically certify the affidavits and agreements in the Principal's Portal. Coordinators electronically certify security documents by completing the security forms training and taking an assessment in the Learning Zone. After the initial electronic certification, principals and coordinators are required to read, agree to, and sign a hard copy of the security affidavit and security agreement for each testing program. Coordinators are then required to submit a copy of the signed security documents to their designated Testing Center.

Deficiencies Identified By the Audit for CELDT and CAASPP

The current process allows for the electronic submission of security documents before materials are delivered to schools. However, as revealed by the audit, hard copies of the security documents for identified schools were signed after testing had been completed or not signed at all by the principal/coordinator. Preferably, the date on which security documents are electronically certified should be the same date the security documents are signed.

Corrective Action Plan to Address the Deficiencies

As a result of the findings and recommendations, the following corrective action plan will be implemented by the Student Testing Branch.

1. Collection of CAASPP Security Documents
For the 2015-16 school year, the Student Testing Branch will collect security documents during the fall semester, before the administration of the Smarter Balanced Summative Assessments and CAASPP Paper-Pencil Tests are administered.
2. Collection of CELDT Security Documents
Because materials for the CELDT testing program have already been released to schools for the 2015-16 school year, some elements of the plan will be implemented in 2015-16. The full implementation of the plan will start in the 2016-17 school year. When the plan is fully implemented, the Student Testing Branch will require that principals and coordinators sign their security documents before materials are released to schools.

Implementation of the Corrective Action Plan

1. CAASPP Regulatory Requirements
 - CAASPP Test Security Agreement: The CAASPP Test Site Coordinator shall sign the CAASPP Test Security Agreement before receiving any of the test materials.

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- CAASPP Test Security Affidavit: The CAASPP Test Site Coordinator should sign a CAASPP Test Security Affidavit to acknowledge the limited purpose of their access to the tests.

The Student Testing Branch will continue using the Principal's Portal and the Learning Zone for principals and test site coordinators (respectively) to electronically certify their security documents.

Signed security documents for the CAASPP program will be collected in the fall. The Student Testing Branch conducts CAASPP Fall Testing Meetings for principals and coordinators in November/December. Security documents will be collected from principals and coordinators who attend the meeting.

Security documents for principals and coordinators who are unable to attend the fall testing meeting will be obtained by the designated Testing Center. Testing Center Staff will contact schools to collect security documents. Security documents will be collected before schools leave for the winter break on December 18, 2015.

2. CELDT Regulatory Requirements

- CELDT Security Agreement: The CELDT coordinator is required to sign the test security agreement prior to the receipt of test materials.
- CELDT Security Affidavit: The CELDT coordinator is required to sign the test security affidavit prior to the receipt of test materials.

Currently, the Student Testing Branch requires the principal to electronically certify the CELDT security documents in the Principal's Portal before materials are delivered to schools. Although CELDT coordinators are instructed in trainings and reference guides not to access CELDT materials until they have signed both CELDT security documents, verification does not occur until the school requests additional CELDT materials.

The Student Testing Branch will continue using the Principal's Portal and the Learning Zone for principals and CELDT coordinators (respectively) to electronically certify their security documents. Starting with the 2016-17 school year, both coordinators and principals will be required to certify their security documents before materials are delivered to the school.

To accomplish the goal of collecting security documents from CELDT coordinators, the Student Testing Branch will work in collaboration with Local District English Learner Program staff. CELDT security documents for coordinators will be collected when CELDT coordinators attend the mandatory CELDT Test Examiner Training conducted by the Local District.

Security documents from principals and CELDT coordinators who are unable to attend the CELDT Test Examiner Training will be obtained by the designated Testing Center. Testing Center Staff will contact schools to collect security documents before materials are delivered to schools.

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Monitoring the Progress and Implementation of the Corrective Action Plan

The Student Testing Branch Administrative staff will:

- A. monitor the electronic certification of security documents for CAASPP and CELDT.
- B. coordinate with Local District English Learner staff for the collection of CELDT security documents.
- C. supervise the collection of security documents from principals and coordinators by each Testing Center.
- D. coordinate the release of CAASPP and CELDT materials by the Testing Warehouse only to schools where the principal and the coordinator have certified their security documents.

Moving Forward

During the 2015-16 school year, the Student Testing Branch will work with program managers in the Principal's Portal and the Learning Zone to streamline the online certification and collection of security documents from principals and coordinators. For future school years, we will explore the option of collecting electronic signatures to remove the need to collect and store paper documents.

Name: Cynthia Lim

Title: Office of Data and Accountability

Telephone: (213) 241-2460

Name: Oscar LaFarga

Title: Student Testing Branch, Office of Data and Accountability

Telephone: (213) 241-4104

Highly Qualified Teacher

It is our goal that all No Child Left Behind Principal Certification forms are submitted in a timely manner and reflect accurate data. In order to ensure timely compliance and accuracy, our deadline to receive the Principal Certification Forms was moved from November 21, 2014, for the 2014-2015 school year, to November 13, 2015, for the 2015-2016 school year. After the November 13, 2015 due date, staff will work on contacting schools for whom Principal Certification forms have not been received. It is our goal to continue to move this deadline up. In addition, we are currently working with MiSiS program developers to create an online means of Principal Certification form submittal, which will serve a two-fold purpose:

- 1. to eliminate inefficiencies caused by our process which required the faxing of documentation, and
- 2. to allow Human Resources to run a report reflecting current information regarding whether or not schools have sent notifications by the deadline.

Direct contact by staff and the enhancement of the current MiSiS system will improve the timely submission and accuracy of the Principal Certification Form.

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June 30, 2015

Name: Lydia Acosta-Stephens

Title: Director, Certificated Recruitment, Selection, and Credential Services

Telephone: (213) 241-5413

Name: Luz Ortega

Title: Coordinator, Credentials, Contract and Compliance Services

Telephone: (213) 241-5349

Highly Qualified Paraprofessionals

Personnel Commission staff is moving into an electronic-record keeping file system for new employees which should assist in the retention of documents in the personnel file.

Name: Karla Gould

Title: Personnel Director Personnel Commission

Telephone: (213) 241-7830

LOS ANGELES UNIFIED SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

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Section IV - Findings and Questioned Costs Relating to State Awards

S-2015-001 Regular and Special Day Classes – Elementary Schools – Attendance Computations

State Program: Attendance Accounting: Attendance Reporting

State Audit Guide Finding Codes: 10000 and 40000

Schools Affected

- 9th Street Elementary School
- 24th Street Elementary School
- Capistrano Elementary School
- Hancock Park Elementary School
- Lull Special Education Center
- Meyler Elementary School
- Michelle Obama Elementary School
- President Elementary School
- Sharp Elementary School
- State Elementary School
- Teresa P. Hughes Elementary School
- West Hollywood Elementary School
- Woodlawn Elementary School

Criteria

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

Condition, Cause and Effect

For our sample of twenty-three (23) elementary schools, we obtained the Student Monthly Attendance Summary Reports (SMASRs) for a sample of teachers for school month two (2) and 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 on a daily basis. MISIS was implemented for all of the District's schools during FY 2014-15, which replaced the District's former system, Integrated Student Information System (ISIS). The electronic system replaced manual daily attendance recording through Student Apportionment Attendance Record Cards. We verified whether these SMASRs were reported accurately in the *Second Principal Report (P2)* and the *Annual Principal Report (P3)*. We obtained the monthly statistical reports where all the SMASRs are summarized, for our sampled schools and we verified whether the SMASRs were completely and accurately summarized. We then traced these monthly statistical reports to Revised Annual Attendance Ledgers, which in turn were traced to the *Second Principal Report (P2)* and the *Annual Principal Report (P3)*.

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To test the integrity of the data reported in the sampled SMASRs, we selected a sample of absences from notes, phone logs and other absence records and compared them to the SMASRs, to verify that they were not included in the calculation of Average Daily Attendance reported in the P2 and P3. 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.

During FY 2014-15, due to certain circumstances such as system interruptions, the District's teachers were allowed to electronically submit and certify attendance on a subsequent day. We performed additional testing to determine whether the District retained paper documentation on which attendance was recorded contemporaneously. We selected a total of three (3) of the twenty-three (23) sampled elementary schools and for the attendance electronically submitted and certified on a subsequent day, and we traced the data reported in the sampled SMASRs to original source documentation on which attendance was recorded.

We selected a sample of 109,144 days of attendance and 2,297 days of absences for testing and noted the following findings:

- **9th Street Elementary School** - Out of the 2,913 days of attendance and twenty-seven (27) days of absences sampled, we noted the following exception:
 - One (1) student was absent for a total of one (1) day, as evidenced by an absence note but was marked as present in the school's monthly attendance summary.
- **24th Street Elementary School** – Out of the 4,898 days of attendance and fifty-nine (59) days of absences sampled, we noted the following exception:
 - One (1) student was absent for a total of one (1) day, as evidenced by an absence note but was marked as present in the school's monthly attendance summary.
- **Capistrano Elementary School** – Out of the 3,847 days of attendance and eighty (80) days of absences sampled, we noted the following exceptions:
 - Three (3) students were absent for three (3) days, as evidenced by absence notes but were marked as present in the school's monthly attendance summary.
- **Hancock Park Elementary School** – Out of the 6,737 days of attendance and 140 days of absences sampled, we noted the following exceptions:
 - Three (3) students were absent for three (3) days, as evidenced by absence notes but were marked as present in the school's monthly attendance summary.
- **Lull Special Education Center** – Out of the 665 days of attendance and 105 days of absences sampled, we noted the following exceptions:
 - Two (2) students were marked absent for two (2) days in the school's monthly attendance summary, but supporting documentation was provided reflecting the students as being present.
- **Meyler Elementary School** – Out of the 6,920 days of attendance and 111 days of absences sampled, we noted the following exception:
 - One (1) student was absent for a total of one (1) day, as evidenced by an absence note but was marked as present in the school's monthly attendance summary.

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- **Michelle Obama Elementary School** - Out of the 6,956 days of attendance and 104 days of absences sampled, we noted the following exception:
 - One (1) student was absent for a total of one (1) day, as evidenced by an absence note but was marked as present in the school's monthly attendance summary.
- **President Elementary School** - Out of the 3,853 days of attendance and 106 days of absences sampled, we noted the following exceptions:
 - Two (2) students were absent for two (2) days, as evidenced by absence notes but were marked as present in the school's monthly attendance summary.
- **Sharp Elementary School** - Out of the 5,757 days of attendance and 88 days of absences sampled, we noted the following exception:
 - One (1) student was absent for a total of one (1) day, as evidenced by an absence note but was marked as present in the school's monthly attendance summary.
- **State Elementary School** - Out of the 4,933 days of attendance and 110 days of absences sampled, we noted the following exceptions:
 - Three (3) students were absent for three (3) days, as evidenced by absence notes but were marked as present in the school's monthly attendance summary.
- **Teresa P. Hughes Elementary School** - Out of the 5,732 days of attendance and 109 days of absences sampled, we noted the following exception:
 - One (1) student was absent for a total of one (1) day, as evidenced by an absence note but was marked as present in the school's monthly attendance summary.
- **West Hollywood Elementary School** - Out of the 130 days of attendance submitted on a subsequent day and five (5) original supporting documentation related to three (3) classes sampled, we noted the following exceptions:
 - Twenty-three (23) students for a total of twenty-three (23) days were not supported by original supporting documentation verifying contemporaneous attendance recording.
 - Seventy-seven (77) students for a total of 107 days were not supported by original supporting documentation verifying contemporaneous attendance recording. However, we were able to obtain additional supporting documentation to verify the student's attendance record; and as such, there are no adjustments to the District's ADA related to these Seventy-seven (77) students.
- **Woodlawn Elementary School** - Out of the 6,569 days of attendance and 124 days of absences sampled, we noted the following exceptions:
 - Two (2) students were absent for two (2) days, as evidenced by absence notes but were marked as present in the school's monthly attendance summary.

These findings are repeat findings, having been reported previously at June 30, 2014 (S-14-01) but for different schools.

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Questioned Costs

17 days / 142 days = 0.12 ADA overstated * \$9,318 = \$1,118

- 9th Street Elementary School - 1 day overstated/142 days in single track school year
- 24th Street Elementary School - 1 day overstated/142 days in single track school year
- Capistrano Elementary School - 3 days overstated/142 days in single track school year
- Hancock Park Elementary School - 3 days overstated/142 days in single track school year
- Lull Special Education Center - 2 days understated/142 days in single track school year
- Meyler Elementary School - 1 day overstated/142 days in single track school year
- Michelle Obama Elementary School - 1 day overstated/142 days in single track school year
- President Elementary School - 2 days overstated/142 days in single track school year
- Sharp Elementary School - 1 day overstated/142 days in single track school year
- State Elementary School - 3 days overstated/142 days in single track school year
- Teresa P. Hughes Elementary School - 1 day overstated/142 days in single track school year
- Woodlawn Elementary School - 2 days overstated/142 days in single track school year

23 days / 142 days = 0.16 ADA overstated * \$9,318 = \$1,491

- West Hollywood Elementary School – 23 days overstated⁽¹⁾ / 142 days in single track school year

⁽¹⁾ - Represents the amount of days of attendance claimed which was not supported by original supporting documentation verifying contemporaneous attendance recording

Recommendation

We recommend that the District continue to strengthen its controls over implementing District policies over student attendance reporting. Furthermore, we recommend that the District continue to provide adequate attendance reporting training to the schools, so that proper attendance reporting procedures are adhered to. Also, we recommend that the District retain paper documentation for those circumstances when the teachers may be allowed to electronically submit and certify attendance on a subsequent day.

Views of Responsible Officials and Planned Corrective Actions

District staff will continue to work with school staff throughout the school year to provide assistance, training, information, etc., as necessary to keep staff informed of District policies and procedures pertaining to proper attendance/absence reporting.

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S-2015-002 Regular and Special Day Classes – Secondary Schools – Attendance Computations

State Program: Attendance Accounting: Attendance Reporting

State Audit Guide Finding Codes: 10000 and 40000

Schools Affected

- Le Conte Middle School
- Nightingale Middle School
- Pio Pico Middle School
- Sepulveda Middle School
- Woodland Hills Academy
- Augustus F. Hawkins High School CHAS
- Cesar E. Chavez Learning Academy
- Dr. Maya Angelou Community High School
- Linda Esperanza Marquez High School
- Thomas Jefferson High School
- Sonia Sotomayor Learning Academy

Criteria

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

Condition, Cause and Effect

For our sample of fourteen (14) secondary schools, we obtained the Student Monthly Attendance Summary Reports (SMASRs) for a sample of teachers for school month two (2) and 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 on a daily basis. MISIS was implemented for all of the District's schools during FY 2014-15, which replaced the District's former system, Integrated Student Information System (ISIS). The electronic system replaced manual daily attendance recording through Student Apportionment Attendance Record Cards. We verified whether these SMASRs were reported accurately in the *Second Principal Report (P2)* and the *Annual Principal Report (P3)*. We obtained the monthly statistical reports where all the SMASRs are summarized, for our sampled schools and we verified whether the SMASRs were completely and accurately summarized. We then traced these monthly statistical reports to Revised Annual Attendance Ledgers, which in turn were traced to the *Second Principal Report (P2)* and the *Annual Principal Report (P3)*.

To test the integrity of the data reported in the sampled SMASRs, we selected a sample of absences from notes, phone logs and other absence records and compared them to the SMASRs, to verify that they were not included in the calculation of Average Daily Attendance reported in the P2 and P3. In

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Schedule of Findings and Questioned Costs

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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.

During FY 2014-15, due to certain circumstances such as system interruptions, the District's teachers were allowed to electronically submit and certify attendance on a subsequent day. We performed additional testing to determine whether the District retained paper documentation on which attendance was recorded contemporaneously. We selected a total of three (3) of the fourteen (14) sampled secondary schools and for the attendance electronically submitted and certified on a subsequent day, and we traced the data reported in the sampled SMASRs to original source documentation on which attendance was recorded.

We selected a sample of 82,933 days of attendance and 890 days of absences from the District's secondary schools for testing and noted the following findings:

- **Le Conte Middle School**
 - Out of the 3,510 days of attendance and thirty-one (31) days of absences sampled, we noted the following exceptions:
 - Three (3) students were absent for a total of four (4) days, as evidenced by absence notes but were marked as present in the school's monthly attendance summary.
 - Out of the 82 days of attendance submitted on a subsequent day and five (5) original supporting documentation related to four (4) classes sampled, we noted the following exceptions:
 - Sixty-four (64) students for a total of 82 days were not supported by original supporting documentation verifying contemporaneous attendance recording. However, we were able to obtain additional supporting documentation to verify the student's attendance record; and as such, there are no adjustments to the District's ADA related to these Sixty-four (64) students.
- **Nightingale Middle School**
 - Out of the 6,842 days of attendance and 125 days of absences sampled, we noted the following exceptions:
 - Two (2) students were absent for three (3) days, as evidenced by absence notes but were marked as present in the school's monthly attendance summary.
 - Out of the 86 days of attendance submitted on a subsequent day and two (2) original supporting documentation related to two (2) classes sampled, we noted the following exceptions:
 - Fifty-nine (59) students for a total of Fifty-nine (59) days were not supported by original supporting documentation verifying contemporaneous attendance recording. However, we were able to obtain additional supporting documentation to verify the student's attendance record; and as such, there are no adjustments to the District's ADA related to these Fifty-nine (59) students.
- **Pio Pico Middle School** - Out of the 5,792 days of attendance and 59 days of absences sampled, we noted the following exceptions:
 - Five (5) students were absent for seven (7) days, as evidenced by absence notes but were marked as present in the school's monthly attendance summary.

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- **Sepulveda Middle School**
 - Out of the 9667 days of attendance and 174 days of absences sampled, we noted the following exceptions:
 - Twenty-eight (28) students were absent for twenty-eight (28) days, as evidenced by absence notes, but were recorded as present in the school's weekly attendance summary.
 - Out of the 231 days of attendance submitted on a subsequent day and eight (8) original supporting documentation related to four (4) classes sampled, we noted the following exceptions:
 - Seventy-two (72) students for a total of 121 days were not supported by original supporting documentation verifying contemporaneous attendance recording. However, we were able to obtain additional supporting documentation to verify the student's attendance record; and as such, there are no adjustments to the District's ADA related to these Seventy-two (72) students.
- **Woodland Hills Academy**
 - Out of the 6,831 days of attendance and 80 days of absences sampled, we noted the following exception:
 - One (1) student was absent for a total of one (1) day, as evidenced by an absence note but was marked as present in the school's monthly attendance summary.
 - Out of the 58 days of attendance submitted on a subsequent day and five (5) original supporting documentation related to three (3) classes sampled, we noted the following exceptions:
 - Twenty-one (21) students for a total of Twenty-one (21) days were not supported by original supporting documentation verifying contemporaneous attendance recording. However, we were able to obtain additional supporting documentation to verify the student's attendance record; and as such, there are no adjustments to the District's ADA related to these Twenty-one (21) students.
- **Augustus F. Hawkins High School CHAS** – Out of the 4,263 days of attendance and 43 days of absences sampled, we noted the following exception:
 - One (1) student was absent for a total of one (1) day, as evidenced by an absence note but was marked as present in the school's monthly attendance summary.
- **Cesar E. Chavez Learning Academy** – Out of the 2,356 days of attendance and 25 days of absences sampled, we noted the following exceptions:
 - Two (2) students were absent for two (2) days, as evidenced by absence notes but were marked as present in the school's monthly attendance summary.
- **Dr. Maya Angelou Community High School**
 - Out of the 8,080 days of attendance and 47 days of absences sampled, we noted the following exceptions:
 - One (1) student was absent for two (2) days, as evidenced by absence notes but was marked as present in the school's monthly attendance summary.
 - Out of the 196 days of attendance submitted on a subsequent day and seven (7) original supporting documentation related to three (3) classes sampled, we noted the following exceptions:

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- Ninety-four (94) students for a total of 196 days were not supported by original supporting documentation verifying contemporaneous attendance recording. However, we were able to obtain additional supporting documentation to verify the student's attendance record; and as such, there are no adjustments to the District's ADA related to these Ninety-four (94) students.
- **Linda Esperanza Marquez High School** – Out of the 5,320 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 marked as present in the school's monthly attendance summary.
- **Thomas Jefferson High School** – Out of the 9,449 days of attendance and 39 days of absences sampled, we noted the following exceptions:
 - Two (2) students were absent for a total of three (3) days, as evidenced by absence notes but were marked as present in the school's monthly attendance summary.
- **Sonia Sotomayor Learning Academy** – Out of the 4,200 days of attendance and 104 days of absences sampled, we noted the following exceptions:
 - Three (3) students were absent for three (3) days, as evidenced by absence notes but were marked as present in the school's monthly attendance summary.

These findings are repeat findings, having been reported previously at June 30, 2014 (S-14-02) but for different schools.

Questioned Costs

District's secondary schools:

55 days / 142 days = 0.39 ADA overstated * \$9,318 = \$3,634

- Le Conte Middle School - 4 days overstated/142 days in single track school year
- Nightingale Middle School - 3 days overstated/142 days in single track school year
- Pio Pico Middle School - 7 days overstated/142 days in single track school year
- Sepulveda Middle School - 28 days overstated/142 days in single track school year
- Woodland Hills Academy - 1 day overstated/142 days in single track school year
- Augustus F. Hawkins High School CHAS - 1 day overstated/142 days in single track school year
- Cesar E. Chavez Learning Academy - 2 days overstated/142 days in single track school year
- Dr. Maya Angelou Community High School - 2 days overstated/142 days in single track school year
- Linda Esperanza Marquez High School - 1 day overstated/142 days in single track school year
- Thomas Jefferson High School - 3 days overstated/142 days in single track school year
- Sonia Sotomayor Learning Academy - 3 days overstated/142 days in single track school year

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Recommendation

We recommend that the District continue to strengthen its controls over implementing District policies over student attendance reporting. Furthermore, we recommend that the District continue to provide adequate attendance reporting training to the schools so that proper attendance reporting procedures are adhered to. Also, we recommend that the District retain paper documentation for those circumstances when the teachers may be allowed to electronically submit and certify attendance on a subsequent day.

Views of Responsible Officials and Planned Corrective Actions

District staff will continue to work with school staff throughout the school year to provide assistance, training, information, etc., as necessary to keep staff informed of District policies and procedures pertaining to proper attendance/absence reporting.

S-2015-003 - Attendance Accounting – Continuation Education – Attendance Computations

State Audit Guide Finding Codes: 10000 and 4000

Schools Affected

- Frida Kahlo Continuation High School
- View Park Continuation High School

Criteria

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

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

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

Condition, Cause and Effect

In our sample of two (2) continuation schools, we traced the total on *Worksheet for Completing the Statistical Report* and compared the totals to the monthly school's *Statistical Report* totals, which in turn were traced to the *Second Principal Report* (P2) and the *Annual Principal Report* (P3) for the third school month. We also employed the same sample of two continuation schools and traced the days reported on the *Monthly School Statistical Report* and compared the totals to the

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Student Apportionment Attendance Cards and the supporting attendance records maintained by the selected teachers.

We noted the following findings:

- **Frida Kahlo High School** - Of the 3,446 hours (1,148.67 days) of attendance, thirty-eight (38) days of absences sampled and tested, we noted the following finding:
 - Attendance for seven (7) students was overstated by 14.17 hours or 4.72 days
- **View Park High School** - Of the 1,407 hours (469 days) of attendance, 38 days of absences sampled and tested, we noted the following finding:
 - Attendance for four (4) students was overstated by 3.50 hours or 1.17 days

Questioned Costs

5.89 days / 142 days = .04 ADA overstated * \$9,318= \$373

- Frida Kahlo High School – 4.72 days overstated / 142 days in single track school year
- View Park High School – 1.17 days overstated / 142 days in single track school year

Recommendation

We recommend that the District strengthen its review process over the compilation of the *Monthly Statistical Reports* to ensure that the reports accurately reflect student attendance data.

Views of Responsible Officials and Planned Corrective Actions

District staff will continue to work with school staff throughout the school year to provide assistance, training, information, etc., as necessary to keep staff informed of District policies and procedures pertaining to proper attendance/absence reporting.

S-2015-004 – Attendance Accounting – Dependent Charter School – Attendance Computations

State Audit Guide Finding Codes: 10000 and 40000

Schools Affected

- Granada Community Charter
- Paul Revere Middle School
- William Howard Taft Charter High School

Criteria

California Education Code, Section 46300(a) – in computing average daily attendance of a school district or county office of education, there shall be included the attendance of pupils who were engaged in educational activities required of those pupils under the immediate supervision and control

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of an employee of the district or county office who possessed a valid certification document, registered as required by law.

Condition, Cause and Effect

For our sample of three (3) charter schools, we obtained the Student Monthly Attendance Summary Reports (SMASRs) for a sample of teachers for school month two (2) and 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 on a daily basis. MISIS was implemented for all of the District's schools during FY 2014-15, which replaced the District's former system, Integrated Student Information System (ISIS). The electronic system replaced manual daily attendance recording through Student Apportionment Attendance Record Cards. We verified whether these SMASRs were reported accurately in the *Second Principal Report (P2)* and the *Annual Principal Report (P3)*. We obtained the monthly statistical reports where all the SMASRs are summarized, for our sampled schools and we verified whether the SMASRs were completely and accurately summarized. We then traced these monthly statistical reports to Revised Annual Attendance Ledgers, which in turn were traced to the *Second Principal Report (P2)* and the *Annual Principal Report (P3)*.

To test the integrity of the data reported in the sampled SMASRs, we selected a sample of absences from notes, phone logs and other absence records and compared them to the SMASRs, to verify that they were not included in the calculation of Average Daily Attendance reported in the P2 and P3. 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.

During FY 2014-15, due to certain circumstances such as system interruptions, the District's teachers were allowed to electronically submit and certify attendance on a subsequent day. We performed additional testing to determine whether the District retained paper documentation on which attendance was recorded contemporaneously. We selected a total of three (3) of the three (3) sampled charter schools and for the attendance electronically submitted and certified on a subsequent day, and we traced the data reported in the sampled SMASRs to original source documentation on which attendance was recorded.

We selected a sample of 29,220 days of attendance and 371 days of absences from the District's charter schools for testing and noted the following findings:

- **Granada Community Charter** - Out of the 3,659 days of attendance and 67 days of absences sampled, we noted the following exceptions:
 - Two (2) students were absent for a total of two (2) days, as evidenced by absence notes but were marked as present in the school's monthly attendance summary.
- **Paul Revere Middle School**
 - Out of the 13,238 days of attendance and 197 days of absences sampled, we noted the following exceptions:
 - Eighteen (18) students were absent for twenty-one (21) days, as evidenced by absence notes but were marked as present in the school's monthly attendance summary.

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- Out of the 110 days of attendance submitted on a subsequent day and three (3) original supporting documentation related to three (3) classes sampled, we noted the following exceptions:
 - Thirty-nine (39) students for a total of thirty-nine (39) days were not supported by original supporting documentation verifying contemporaneous attendance recording. However, we were able to obtain additional supporting documentation to verify the student's attendance record; and as such, there are no adjustments to the District's ADA related to these thirty-nine (39) students.
- **William Howard Taft Charter High School**
 - Out of the 12,323 days of attendance and 107 days of absences sampled, we noted the following exceptions:
 - Nine (9) students were absent for ten (10) days, as evidenced by absence notes but were marked as present in the school's monthly attendance summary.
 - Out of the 305 days of attendance submitted on a subsequent day and twelve (12) original supporting documentation related to twelve (12) classes sampled, we noted the following exceptions:
 - Six (6) students for a total of six (6) days were not supported by original supporting documentation verifying contemporaneous attendance recording.
 - 297 students for a total of 299 days were not supported by original supporting documentation verifying contemporaneous attendance recording. However, we were able to obtain additional supporting documentation to verify the student's attendance record; and as such, there are no adjustments to the District's ADA related to these 297 students.

These findings are repeat findings, having been reported previously at June 30, 2014 (S-14-02) but for different schools.

Questioned Costs

District's charter schools:

- $2 \text{ days} / 142 \text{ days} = 0.01 \text{ overstated} * \$8,489 = \$85$
 - Granada Community Charter - 2 days overstated/142 days in single track school year
- $21 \text{ days} / 142 \text{ days} = 0.15 \text{ overstated} * \$6,492 = \$974$
 - Paul Revere Middle School - 21 days overstated/142 days in single track school year
- $10 \text{ days} / 142 \text{ days} = 0.07 \text{ overstated} * \$8,700 = \$609$
 - William Howard Taft Charter High School - 10 days overstated/142 days in single track school year
- $6 \text{ days} / 142 \text{ days} = 0.04 \text{ overstated} * \$8,700 = \$348$
 - William Howard Taft Charter High School - 6 days overstated⁽¹⁾ / 142 days in single track school year

⁽¹⁾ - Represents the amount of days of attendance claimed which was not supported by original supporting documentation verifying contemporaneous attendance recording

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Recommendation

We recommend that the District continue to strengthen its controls over implementing District policies over student dependent charter schools' attendance reporting. Furthermore, we recommend that the District continue to provide adequate attendance reporting training to the schools so that proper attendance reporting procedures are adhered to. Also, we recommend that the District retain paper documentation for those circumstances when the teachers may be allowed to electronically submit and certify attendance on a subsequent day.

Views of Responsible Officials and Planned Corrective Actions

District staff will continue to work with school staff throughout the school year to provide assistance, training, information, etc., as necessary to keep staff informed of District policies and procedures pertaining to proper attendance/absence reporting.

S-2015-005 – Teacher Certification and Misassignments

State Audit Guide Finding Codes: 4000 and 7100

Schools Affected

- Arleta Senior High School
- Augustus F Hawkins Senior High
- Dr. Maya Angelou Community Senior High
- Woodland Hills Academy Middle School

Criteria

California Education Code, Section 44203(d) - "Authorization" means the designation that appears on a credential, certificate, or permit that identifies the subjects and circumstances in which the holder of the credential, certificate, or permit may teach, or the services which the holder may render in the public schools of this state.

Section 44256 - Authorization for teaching credentials shall be of four basic kinds, as defined below:

- (a) "Single subject instruction" means the practice of assignment of teachers and students to specified subject matter courses, as is commonly practiced in California high schools and most California junior high schools. The holder of a single subject teaching credential or a standard secondary credential or a special secondary teaching credential, as defined in this subdivision, who has completed 20 semester hours of coursework or 10 semester hours of upper division or graduate coursework approved by the commission at an accredited institution in any subject commonly taught in grades 7 to 12, inclusive, other than the subject for which he or she is already certificated to teach, shall be eligible to have this subject appear on the credential as an authorization to teach this subject. The commission, by regulation, may require that evidence of additional competence is a condition for instruction in particular subjects, including, but not limited to, foreign languages. The commission may establish and implement alternative

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requirements for additional authorizations to the single subject credential on the basis of specialized needs. For purposes of this subdivision, a special secondary teaching credential means a special secondary teaching credential issued on the basis of at least a baccalaureate degree, a student teaching requirement, and 24 semester units of coursework in the subject specialty of the credential.

- (b) "Multiple subject instruction" means the practice of assignment of teachers and students for multiple subject matter instruction, as is commonly practiced in California elementary schools and as is commonly practiced in early childhood education. The holder of a multiple subject teaching credential or a standard elementary credential who has completed 20 semester hours of coursework or 10 semester hours of upper division or graduate coursework approved by the commission at an accredited institution in any subject commonly taught in grades 9 and below shall be eligible to have that subject appear on the credential as authorization to teach the subject in departmentalized classes in grades 9 and below. The governing board of a school district by resolution may authorize the holder of a multiple subject teaching credential or a standard elementary credential to teach any subject in departmentalized classes to a given class or group of students below grade 9, provided that the teacher has completed at least 12 semester units, or six upper division or graduate units, of coursework at an accredited institution in each subject to be taught. The authorization shall be with the teacher's consent. However, the commission, by regulation, may provide that evidence of additional competence is necessary for instruction in particular subjects, including, but not limited to, foreign languages. The commission may establish and implement alternative requirements for additional authorizations to the multiple subject credential on the basis of specialized needs.
- (c) "Specialist instruction" means any specialty requiring advanced preparation or special competence, including, but not limited to, reading specialist, mathematics specialist, specialist in special education, or early childhood education, and such other specialties as the commission may determine.
- (d) "Designated subjects" means the practice of assignment of teachers and students to designated technical, trade, or career technical courses which courses may be part of a program of trade, technical, or career technical education.

Condition, Cause and Effect

During our procedures performed for each class sampled for attendance testing of regular and special day classes, adult education, and continuation, we reviewed the classroom teacher's credentials to determine if they possessed valid credentials, if their assigned teaching position was consistent with the authorization of their certification, and if the teachers held a valid English instruction certification in instances when the teacher taught a class in which more than 20% of the pupils were English learners.

We tested a total of 238 teachers and noted six (6) exceptions for K-12 teachers who were assigned to teach in a position not consistent with the authorization of his/her certification:

- Arleta Senior High School – Two (2) teachers were assigned to teach in a position not consistent with the authorization of his/her certification.
- Augustus F Hawkins Senior High – One (1) teacher was assigned to teach in a position not consistent with the authorization of his/her certification.

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- Dr. Maya Angelou Community Senior High – Two (2) teachers were assigned to teach in a position not consistent with the authorization of his/her certification.
- Woodland Hills Academy Middle School – One (1) teacher was assigned to teach in a position not consistent with the authorization of his/her certification.

Questioned Costs

This finding is a non-compliance with the Education Code.

Recommendation

We recommend that the schools and District strengthen controls to ensure that the teachers are assigned to teach in a position consistent with the authorization of his/her certification.

Views of Responsible Officials and Planned Corrective Actions

Human Resources (HR) staff has worked collaboratively with MISIS staff to ensure that teachers' assignments and credentials are correctly mapped so that data is reported accurately. Trainings have been held with all newly assigned administrators who are responsible for creating master schedules to review credentials, authorizations and appropriate assignments. In a future update of MISIS, any administrator attempting to create an assignment for a teacher who does not hold an appropriate authorization will receive an error message generated automatically by the system. Additionally, HR staff will continue to monitor assignments and work with administrators on rectifying the assignments as soon as possible.

S-2015-006 – Kindergarten Continuance

State Audit Guide Finding Codes: 4000

School Affected

- West Hollywood Elementary School

Criteria

California Education Code, Section 46300 - In computing the average daily attendance of a school district, there shall be included the attendance of pupils in kindergarten after they have completed one school year in kindergarten only if the school district has on file for each of those pupils an agreement made pursuant to Section 48011, approved in form and content by the State Department of Education and signed by the pupil's parent or guardian, that the pupil shall be retained in kindergarten for not more than an additional school year.

Condition, Cause and Effect

Using the same 23 elementary schools sampled for attendance reporting, we selected students enrolled in kindergarten for school year 2014-15 and kindergarten in school year 2013-14 and verified that a signed kindergarten continuance parental agreement (Agreement) was maintained. We noted the following exception:

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- West Hollywood Elementary School – A signed Agreement was not on file for one (1) student.

In addition, we noted that the Agreements for four (4) students at three (3) schools were signed but not dated by the parent or guardian. Of these four (4) Agreements that were not dated, we noted that two (2) Agreements had a signature line only and did not have a date line. We obtained certification from the school principals that the Agreements were signed before the start of the school year 2014-15. Since a signed Agreement was on file, there are no adjustments to the District's ADA related to these four (4) students.

Questioned Costs

\$8,573 (0.92 total ADA overstated x \$9,318)

- West Hollywood Elementary School
 - 131 days overstated / 142 days in single track school year = 0.92 ADA

Recommendation

We recommend that the School adhere to the District's policy by retaining evidence of the signed and dated parental agreement to continue forms for all students repeating kindergarten to support the inclusion of such pupils in the average daily attendance computation.

Views of Responsible Officials and Planned Corrective Actions

The LAUSD will review and revise relevant policies to support and guide schools in correctly adhering to District's policy. The completion deadline for these revisions will be March 1, 2016. The revised policy documents will be posted in the LAUSD online database "Inside LAUSD" and announced on the District-wide communications: LAUSD Brief and Division of Instruction Instructional Update, which are emailed directly to administrators and teachers.

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S-2015-007 – After School Education and Safety Program

State Program: After School Education and Safety Program

State Audit Guide Finding Codes: 40000

Schools Affected

- Hawaiian Elementary School
- 15th St Elementary School
- Annalee Elementary School
- Caroldale Learning Community Elementary School
- Dominguez Elementary School
- Lomita Math/Sci Magnet Elementary School
- Catskill Elementary School
- Halldale Elementary School
- Meyler Elementary School
- Van Deene Elementary School
- Columbus Middle School
- Dolores Elementary School
- Van Nuys Middle School
- Canterbury Elementary School
- Hart St. Elementary School
- Limerick Elementary School
- Granada Elementary School
- Haddon Elementary School
- Mountain View Elementary School
- Nevada Elementary School
- Plainview Charter Academy Elementary School
- Sunland Elementary School
- Obama Gbl Prep Academy Middle School
- Portola Middle School
- Romer Middle School
- San Fernando Middle School
- Sutter Middle School
- White Middle School
- Glenwood Elementary School
- Hazeltine Elementary School
- Roscoe Elementary School
- Sylmar Elementary School

Criteria

California Education Code 8483(a) – (1) Every after school component of a program established pursuant to this article shall commence immediately upon the conclusion of the regular school day, and operate a minimum of 15 hours per week at least until 6:00 p.m. on every regular school day. Every after school component of the program shall establish a policy regarding reasonable early daily release of pupils from the program. For those programs or school sites operating in a community where early release policy does not meet the unique requirements of that community or school, or both, documented evidence may be submitted to the department for an exception and a request for approval of an alternative plan.

(2) It is the intent of the Legislature that elementary school pupils participate in the full day of the program every day during which pupils participate and that pupils in middle school or junior high school attend a minimum of nine hours a week and three days a week to accomplish program goals.

California Education Code 8483.1 (a) – (1) Every before school program component established pursuant to this article shall in no instance operate for less than one and one-half hours per regular school day. Every program shall establish a policy regarding reasonable late daily arrival of pupils to the program.

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(2) (A) It is the intent of the Legislature that elementary school pupils participate in the full day of the program every day during which pupils participate and that pupils in the middle or junior high school attend a minimum of six hours a week or three days a week to accomplish program goals, except when arriving late in accordance with the late arrival policy or as reasonably necessary.

(2) (B) A pupil who attends less than one-half of the daily program hours shall not be accounted for the purposes of the attendance.

California Education Code 8482 – The purpose of this program is to create incentives for establishing locally driven before and after school enrichment programs both during schooldays and summer, intersession, or vacation days that partner public schools and communities to provide academic and literacy support and safe, constructive alternatives for youth. The term public school includes charter schools.

Condition, Cause and Effect

On a sample basis, we tested attendance documentation of 40 schools and 13,626 days of attendance for students who participated in the After School Education and Safety Program. We examined the attendance records for the selected students and verified whether the attendance reporting was complete and accurate. We also verified whether the selected students complied with the attendance requirements established by the District, as required by the California Education Code. We noted the following exceptions:

After School Component of the Program

On a sample basis, we tested the attendance documentation of 32 schools and 12,582 days of attendance in the after school component of the After School Education and Safety Program.

There were a total of seven (8) students in three (3) schools who did not have complete sign-in and sign-out time on the sign-in/sign-out sheets. Some students didn't have either the sign-in time or sign-out time. Some students didn't have both. Due to the missing sign-in or sign-out time, we were unable to determine whether the elementary school students participated in the full day of after school program on every day during which students participated except as consistent with the established early release policy. There were also some students who did not have proper sign-in/sign-out, as a result, we were unable to determine how long each student participated in the program. The following are the details of the exceptions.

- **Plainview Charter Academy** – One (1) student did not have proper sign-in or sign-out time for one (1) day.
- **Obama Gbl Prep Academy Middle School** – Three (3) students did not have proper sign-in or sign-out time for twelve (12) days.
- **White Middle School** – Four (4) students did not have proper sign-in or sign-out time for a total of four (4) days.

There were 32 students in 15 schools that did not comply with the established early release policy. As a result, the following elementary schools had students that did not participate in the full day of the

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after school program on every day during which pupils participated, and the following middle schools had students that participated less than nine hours a week and three days a week:

- **15th St. Elementary School** – One (1) student did not participate in the full period of the after school program for a total of one (1) day that he participated and there was no properly filled out early release form to explain why such requirement was not complied with.
- **Annalee Elementary School** – Two (2) students did not participate in the full period of the after school program for a total of two (2) days that they participated and there were no properly filled out early release forms to explain why such requirement was not complied with.
- **Caroldale Learning Community Elementary School** – Three (3) students did not participate in the full period of the after school program for a total of three (3) days that they participated and there were no properly filled out early release forms to explain why such requirement was not complied with.
- **Catskill Elementary School** – One (1) student did not participate in the full period of the after school program for a total of one (1) day that she participated and there was no properly filled out early release form to explain why such requirement was not complied with.
- **Dominguez Elementary School** – One (1) student did not participate in the full period of the after school program for a total of one (1) day that she participated and there was no properly filled out early release form to explain why such requirement was not complied with.
- **Lomita Math/Sci Magnet Elementary School** – One (1) student did not participate in the full period of the after school program for a total of one (1) day that she participated and there was no properly filled out early release form to explain why such requirement was not complied with.
- **Halldale Elementary School** – Five (5) students did not participate in the full period of the after school program for a total of nine (9) days that they participated and there were no properly filled out early release forms to explain why such requirement was not complied with.
- **Van Deene Elementary School** – Two (2) students did not participate in the full period of the after school program for a total of two (2) days that they participated and there were no properly filled out early release forms to explain why such requirement was not complied with.
- **Columbus Middle School** – One (1) student did not participate in the full period of the after school program for a total of three (3) days that she participated and there were no properly filled out early release forms to explain why such requirement was not complied with.
- **Dolores Elementary School** – One (1) student did not participate in the full period of the after school program for a total of two (2) days that he participated and there were no properly filled out early release forms to explain why such requirement was not complied with.
- **Granada Elementary School** – Two (2) students did not participate in the full period of the after school program for a total of two (2) days that they participated and there were no

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properly filled out early release forms to explain why such requirement was not complied with.

- **Mountain View Elementary School** – Three (3) students did not participate in the full period of the after school program for a total of five (5) days that they participated and there were no properly filled out early release forms to explain why such requirement was not complied with.
- **Plainview Charter Academy Elementary School** – Seven (7) students did not participate in the full period of the after school program for a total of seventeen (17) days that they participated and there were no properly filled out early release forms to explain why such requirement was not complied with.
- **San Fernando Middle School** – Two (2) students did not participate in the full period of the after school program for a total of eight (8) days that they participated and there were no properly filled out early release forms to explain why such requirement was not complied with. #
- **Sutter Middle School** – One (1) student did not participate in the full period of the after school program for a total of four (4) days that he participated and there were no properly filled out early release forms to explain why such requirement was not complied with. #

We obtained the Monthly Attendance Report (MAR) for a sampled month for the same schools we sampled and compared the total attendance reported to the attendance records (e.g. sign in/sign out sheets) for the schools for a sampled week during the school year 2014-2015. We also tested the completeness and accuracy of the reports by selecting a sample of students and tracing the same students to attendance records and vice versa. We noted the following exceptions:

- **Hawaiian Elementary School** – MAR was understated by one (1) day, compared to the sign-in sheets.
- **Annalee Elementary School** - MAR was overstated by two (2) days, compared to the sign-in sheets. In addition, one (1) student was listed as present for a total of one (1) day on the MAR but absent on sign-in sheet.
- **Caroldale Learning Community Elementary School** – MAR was understated by four (4) days, compared to the sign-in sheets.
- **Catskill Elementary School** – One (1) student was marked absent for a total of one (1) day on sign-in sheet but marked present on the MAR.
- **Dominguez Elementary School** - MAR was understated by four (4) days, compared to the sign-in sheets.
- **Lomita Math/Sci Magnet Elementary School** – MAR was overstated by four (4) days, compared to the sign-in sheets. In addition, one (1) student was marked absent for a total of four (4) days on sign-in sheet but marked present on the MAR.
- **Halldale Elementary School** – MAR was overstated by three (3) days, compared to the sign-in sheets. In addition, four (4) students were marked absent for a total of ten (10) days on the sign-in sheet but marked present on the MAR.
- **Meyler Elementary School** – MAR was overstated by one (1) day compared to the sign-in sheets.

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- **Van Deene Elementary School** – MAR was overstated by sixteen (16) days compared to the sign-in sheets. Three (3) students were marked absent for a total of three (3) days on sign-in sheet but marked present on the MAR.
- **Columbus Middle School** – MAR was overstated by twenty (20) days compared to the sign-in sheets.
- **Dolores Elementary School** – MAR was understated by four (4) days compared to the sign-in sheets.
- **Granada Elementary School** – MAR was understated by four (4) days compared to the sign-in sheets. In addition, one (1) student was marked present for a total of two (2) days on sign-in sheet but marked absent on MAR. One (1) student was marked absent for a total of one (1) day on sign-in sheets but marked present on the MAR.
- **Haddon Elementary School** – MAR was understated by twenty-six (26) days compared to the sign-in sheets.
- **Mountain View Elementary School** – MAR was understated by twenty-five (25) days compared to the sign-in sheets. One (1) student was marked present for a total of one (1) day on sign-in sheet but marked absent on the MAR.
- **Nevada Elementary School** – MAR was understated by twenty-three (23) days compared to the sign-in sheets.
- **Plainview Charter Academy Elementary School** – Four (4) students were marked present for a total of fourteen (14) days on sign-in sheet but marked absent on the MAR. One (1) student was marked absent for a total of one (1) day on sign-in sheets but marked present on the MAR.
- **Sunland Elementary School** – MAR was understated by ten (10) days compared to the sign-in sheets. One (1) student was marked present for a total of four (4) days on sign-in sheet but marked absent on the MAR.
- **Obama Gbl Prep Middle School** – MAR was overstated by nine (9) days compared to the sign-in sheets. In addition, one (1) student was marked present for a total of four (4) days on the MAR but marked absent on sign-in sheet.
- **Portola Middle School** – MAR was understated by fifteen (15) days compared to the sign-in sheets.
- **Romer Middle School** – MAR was understated by ten (10) days compared to the sign-in sheets.
- **San Fernando Middle School** – MAR was understated by thirteen (13) days compared to the sign-in sheets. In addition, seven (7) students were marked present for a total of eight (8) days on the MAR but marked absent on sign-in sheet.
- **Sutter Middle School** – MAR was overstated by twelve (12) days compared to the sign-in sheets. In addition, seven (7) students were marked present for a total of eighteen (18) days on the MAR but marked absent on sign in sheet.
- **Van Nuys Middle School** – MAR was overstated by two (2) days compared to the sign-in sheets. In addition, two (2) students were marked absent for a total of two (2) days on the

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MAR but were marked present on sign-in sheet. Three (3) students were marked present for a total of three (3) days on the MAR, but were absent on the sign-in sheet.

- **White Middle School** – MAR was understated by one (1) day compared to the sign-in sheets. One (1) student was marked present for a total of one (1) day on the MAR, but was absent on the sign-in sheet.

Before School Component of the Program

On a sample basis, we tested the attendance documentation of 8 schools and 1,044 days of attendance in the before school component of the After School Education and Safety Program.

There were two (2) students in two (2) schools that did not comply with the established late arrival policy.

- **Roscoe Elementary School** - One (1) student did not participate in at least one-half of the before school program for a total of one (1) day that the student participated and there was no late arrival form to explain why such requirement was not complied with. The student was counted as present in the attendance summary.
- **Sylmar Elementary School** - One (1) student did not participate in at least one-half of the before school program for a total of one (1) day that the student participated and there was no late arrival form to explain why such requirement was not complied with. The student was counted as present in the attendance summary.

We also obtained the Monthly Attendance Reports (MAR) for the same schools we sampled and compared the total attendance reported to the attendance records (e.g. sign in/sign out sheets) for the schools for a sample week during the school year 2014-2015. We also tested the completeness and accuracy of the reports by selecting a sample of the students and tracing the same students to attendance records and vice versa. We noted the following exceptions:

- **Canterbury Elementary School** – MAR was understated by sixty (60) days compared to the sign-in sheets.
- **Glenwood Elementary School** – MAR was understated by one (1) day compared to the sign-in sheets.
- **Hart St. Elementary School** – MAR was understated by one (1) day compared to the sign-in sheets.
- **Hazeltine Elementary School** – MAR was overstated by one (1) day compared to the sign-in sheets. In addition, one (1) student was marked present on the MAR for a total of four (4) days but was not signed in.
- **Limerick Elementary School** – MAR was understated by seventeen (17) days compared to the sign-in sheets. In addition, four (4) students were marked as absent on the MAR for a total of four (4) days but were signed in. One (1) student was marked as present on the MAR for a total of one (1) day but was not signed in.
- **Roscoe Elementary School** – MAR was overstated by five (5) days compared to the sign-in sheets.

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As a result of our testing, the over and under reporting of attendance were summarized in the Condition, Cause and Effect section above. The California Department of Education will determine the impact of the above exceptions on the After School Education and Safety Program funding if there is any.

Recommendation

We recommend that the District strengthen its procedures on attendance documentation for the After School Education and Safety program. The District should ensure that the agencies performing the services for these programs are aware of the District's policies, specifically on maintaining accurate attendance records. We also recommend for the District to continue performing agency visits to ensure compliance with the established policies.

Views of Responsible Officials and Planned Corrective Actions

Beyond The Bell Branch agrees with the finding. Consequently we will continue to implement the following procedures to ensure that we are providing training on attendance reporting policies and procedures as well as how we are monitoring how the procedures are being implemented at the sites to ensure documentation of reported attendance figures is readily available and accurate for auditing purposes.

1. Agency contractors and program personnel are required to attend a "Start-Up Meeting" scheduled prior to the beginning of the school year. During the "Start-Up Meeting," extensive time is spent on training staff on the importance of properly documenting and maintaining accurate attendance.
2. Beyond the Bell Branch Administrators and Traveling Supervisors attend the training meeting and interject their role in monitoring attendance procedures as they travel to sites. Beyond the Bell staff routinely monitors attendance to ensure procedures are being used and documentation is maintained as required.
3. Contractors and agency program personnel are required to attend an annual "Policies and Procedures/Risk Management" training. As a result of previous audit findings and reflection on best practices, Beyond the Bell developed an attendance documentation training that was implemented during the 2011-2012 year. Currently, the training is offered on a monthly basis. Newly hired personnel must register for and attend the next available training date. Returning personnel must register for and attend the training during the fiscal year.
4. The following "Policies and Procedures/Risk Management" training dates are scheduled for the 2015-2016 year (NOTE: Attendance Documentation has been implemented as a result of previous audit findings):
 - 07/08/15, 07/29/15, 08/04/15, 08/05/15, 08/06/15, 08/07/15, 08/08/15, 08/10/15, 08/11/15, 08/12/15, 08/13/15, 08/14/15, 08/15/15, 08/17/15, 09/14/15, 09/16/15, 09/19/15, 10/06/15, 10/17/15, 11/18/15, 12/8/15, 12/15/15, 1/23/16, 2/9/16, 3/12/16, 4/12/16, 4/13/16, 5/14/16

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5. Contractors and agency program personnel are invited to attend a Federal Program Monitoring (FPM) training. The FPM training reflects the CDE's Program Dimensions. The goal of this training is to offer personnel a best practices approach to running exemplary programs that comply with the requirements in the Education Code. Extensive training on "attendance documentation" is offered during this meeting.
6. Beyond The Bell Branch conducts "site visits" to monitor program quality and student attendance through:
 - a. Field Office Administrators
 1. Certificated Administrators conduct site visits to evaluate and monitor agency program implementation. Attendance documentation is closely monitored during these site visits
 - b. Field Office Traveling Playground Supervisors
 1. Classified/Unclassified Traveling Playground Supervisors conduct weekly visits to evaluate and monitor agency program implementation. Attendance documentation is closely monitored during these site visits.
 - c. Central Office Administrators
 1. Central Office Administrators conduct site visits to evaluate and monitor agency program implementation. In addition to program quality and compliance, attendance documentation is closely monitored during these site visits.
7. Beyond the Bell Branch conducts "Random Reviews/Audits of Monthly Attendance Reports" to examine agency sign-in/sign-out procedures. The agency's "Attendance Documentation" procedures are further evaluated to ensure the agency's record keeping corresponds to data submitted to Beyond the Bell. In addition, evaluation of these documents ensures they:
 - a. Comply with Beyond the Bell's "Early Release Policy."
 - b. Verify the sign-in/sign-out forms are certified by Site Coordinator.
 - c. Contain Student ID Numbers.
8. To ensure the documentation for the After School Education and Safety Programs (ASES) accurately reflects the number of students served and reported to the California Department of Education by the District, Beyond the Bell Branch contracted with City-Span Technologies Incorporated (A nationally recognized service firm which specializes in administering online attendance monitoring programs.) to administer an online attendance reporting and monitoring system. Beyond the Bell Branch through our needs assessments and evaluations recognized the need to strengthen our internal controls to ensure attendance data is compiled and reported accurately. Furthermore, Beyond the Bell Branch recognizes the need to maintain sufficient documentation for the reconciliation between the District's Quarterly Attendance Reports (QAR) and information submitted to the California Department of Education. Consequently, Beyond the Bell's gathering of attendance data and reporting procedures has evolved. As a result of the current and previous audit findings, the following system and procedures have been implemented:

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- Monitoring has been strengthened from quarterly to monthly and all contractors and staff are now required to submit attendance documentation monthly which has resulted in more accurate attendance reporting to the CDE.
- Beyond the Bell issues a current “Alpha Roster” containing student identification numbers to agencies. Prior to this practice, agencies were responsible for obtaining student identification numbers from schools. Frequently, the information was outdated or incomplete.
- Beyond the Bell continues the process of reviewing agency’s Sign-in/Sign-out Rosters to ensure required information is recorded on a daily basis. Upon review of agency documents, Beyond the Bell Branch will develop an attendance documentation training scheduled for implementation for the 2016 – 2017 year.
- Agencies submit their attendance electronically through a secured website to City-Span Technologies Incorporated.
- A discrepancy report is issued to agencies requesting them to make corrections of errors when they are identified.
- Agencies correct and resubmit the reports and discrepancies are fixed in attendance reports.
- The reporting of attendance to the California Department of Education (CDE) is accomplished on-line bi-annually through ASSIST through close collaboration with CDE’s technical staff to ensure accurate transfer of the information.
- As a result of the volume generated by Beyond the Bell programs, the CDE has approved the submission of attendance through an EXCEL program via e-mail. Personnel at CDE then upload the data into ASSIST. Once the data is in the system, the Beyond the Bell designee approves the data submitted.

We will continue to monitor these changes in protocol to ensure that the procedures are followed and all information is reported accurately and documented as necessary for auditing purposes. Should problems arise in any area for contractors or staff, Beyond the Bell will alter and refine the process accordingly to ensure continuous improvement in operations.

S-2015-008 – Unduplicated Local Control Funding Formula Pupil Counts

State Program: Unduplicated Local Control Funding Formula Pupil Counts

State Audit Guide Finding Code: 40000

School Affected

- Paul Revere Middle School (Dependent Charter School)

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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 and Reduced Price Meal (FRPM) and English Learner (EL) eligibility of 2,956 students from 40 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 2,956 students tested, 1,025 students were selected for verification of their English Language Acquisition Status (ELAS) designation of English Learner (EL) in accordance with procedure 19849(a)(2) of the audit guide. The ELAS designations include English Learner (EL), English Only (EO), Reclassified Fluent English Proficient (RFEP), or Initially English Proficient Student (IFEP). Students who are determined to be EL can be reclassified based on completion of required measures. Reclassification is the process by which the District determines if students who are EL have acquired sufficient proficiency in English to perform successfully in core academic subjects without English Language Development (ELD) support. Successful reclassification would lead to the student’s ELAS designation changing to either RFEP or IFEP.

Based on our testing, we noted that one (1) student from the District’s Dependent Charter School who was incorrectly reported in CALPADS as EL as of the census date.

According to the District’s officials, the student’s California English Language Development Test (CELDT) score was returned to District during the school’s summer break, before the census date. As such, the student should have been reclassified within CALPADS and should not have been reported as an EL student.

The District should have updated the student’s record centrally during the school’s break. Due to an oversight, the update was not made.

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The one exception noted was extrapolated to the EL population of the Dependent Charter School in question based on the error rate of the samples selected. The following is the extrapolated impact on the Dependent Charter School's UPC and UPP:

School	* Total Enrollment	* UPC	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
Paul Revere Middle School (Dependent Charter)	4,155	1,098	26.43%	-	(1)	-	1,097	26.40%

* Total is the sum of prior year and current year results.

Questioned Costs

The determination of the total impact of the finding on the District's Dependent Charter School, by extrapolation, is not applicable as 100% of the population of Paul Revere Middle School (Dependent Charter School) was tested.

We decreased the Dependent Charter School's UPC by the known error of one (1) student, and calculated an Adjusted UPC of 26.40%.

We applied the Adjusted UPC to the Dependent Charter School LCFF State Aid, Adjusted for Minimum State Aid Guarantee for fiscal year 2014-15, and we computed total questioned costs to be \$265.

Recommendation

We recommend in instances when schools are not in session, the District's Multilingual & Multicultural Education (MMED) office implement a system of timely updates of MISIS records centrally.

Views of Responsible Officials and Planned Corrective Actions

We agree with the recommendation and will continue with our processes of updating MISIS in a timely manner.

LOS ANGELES UNIFIED SCHOOL DISTRICT

Status of Prior Year Findings and Recommendations

June 30, 2015

Findings Related to the Basic Financial Statements Reported in Accordance with *Government Auditing Standards*

FS-14-01 Lack of Sufficient Authorization for SAP Program Changes – Significant Deficiency

State Audit Guide Finding Code: 30000

Recommendation

SAP Transport Request forms should be consistently approved by the appropriate business management personnel (i.e., business sponsor) prior to implementing a transport request into production. A group authorization could also be considered when processing a large number of transports simultaneously.

Current Status

Corrective action(s) implemented.

FS-14-02 Accounts Payable Three-Way Matching Control – Significant Deficiency

State Audit Guide Finding Code: 30000

Recommendation

Conflicting access should be removed from SAP system users to ensure that no individual has the ability to create a purchase order, post an invoice and receive goods. Also, the District's SAP GRC (Governance, Risk and Compliance) tool can be utilized to facilitate and document a periodic review (for example every 6 to 12 months) of SAP security roles by their respective business owner.

Current Status

Corrective action(s) not implemented. See FS-2015-002 of the Section II – Findings Relating to the Basic Financial Statements which are Required to be Reported in Accordance with GAS.

FS-14-03 Excessive Vendor Management Access – Significant Deficiency

State Audit Guide Finding Code: 30000

Recommendation

ITD management should periodically review access to Accounts Payable vendor management transaction codes and remove inappropriate access in a timely manner. Also, the District's SAP GRC (Governance, Risk and Compliance) tool can be utilized to facilitate and document a periodic review (for example every 6 to 12 months) of SAP security roles by their respective business owner.

LOS ANGELES UNIFIED SCHOOL DISTRICT

Status of Prior Year Findings and Recommendations

June 30, 2015

Current Status

Corrective action(s) partially implemented as ITD Functional personnel access was noted for this year. See FS-2015-001 (ITD Access to SAP Production Transactions) in Section II – Findings Relating to the Basic Financial Statements which are Required to be Reported in Accordance with GAS.

FS-14-04 SAP General Ledger transactions Access – Significant Deficiency

State Audit Guide Finding Code: 30000

General Ledger transactions should be removed in a timely manner. Also, the District's SAP GRC tool can be utilized to facilitate and document a periodic review (for example every 6 to 12 months) of SAP security roles by their respective business owner.

Current Status

Corrective action(s) partially implemented as ITD Functional personnel access was noted for this year. See FS-2015-001 (ITD Access to SAP Production Transactions) in Section II – Findings Relating to the Basic Financial Statements which are Required to be Reported in Accordance with GAS.

FS-14-05 Release Payroll Transaction Access – Significant Deficiency

State Audit Guide Finding Code: 30000

Recommendation

Inappropriate access to the SAP release payroll transaction (PC00_M99_PA03_RELEA) should be removed in a timely manner. Also, the District's SAP GRC tool can be utilized to facilitate and document a periodic review (for example every 6 to 12 months) of SAP security roles by their respective business owner.

Current Status

Corrective action(s) implemented.

LOS ANGELES UNIFIED SCHOOL DISTRICT

Status of Prior Year Findings and Recommendations

June 30, 2015

Findings and Questioned Costs Related to Federal Awards

1. Finding F-14-01 – Allowable Costs – Payroll Certifications and Documentation for Specially Funded Employee Positions

Program Identification:

Workforce Investment Act, Title II: Adult Education and Family Literacy Act, U.S. Department of Education (USED), passed through California Department of Education, CFDA No. 84.002, Grant Agreement No. 14508;

Title I Grants to Local Educational Agencies, U.S. Department of Education (USED), passed through California Department of Education, CFDA No. 84.010, Grant Agreement No. 14329;

Special Education Cluster: Grants to States, Preschool Grants, U.S. Department of Education (USED), passed through California Department of Education, CFDA No. 84.027, Grant Agreement No. 13-13682;

Improving Teacher Quality State Grants, U.S. Department of Education (USED), passed through California Department of Education, CFDA No. 84.367, Grant Agreement No. PCA14341;

Child Care and Development Fund: Child Care and Development Block Grant, Child Care Mandatory and Matching Funds of the Child Care and Development Fund, Department of Health and Human Services, passed through California Department of Education, CFDA No. 93.575, Grant Agreement Nos. CSPP-3203 and CCTR-3102.

Recommendation

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

Current Status

Implemented

2. Finding F-14-02 – Eligibility – Verification Requirements

Program Identification:

Child Nutrition Cluster: School Breakfast Program, National School Lunch Program, Summer Food Service Program for Children, U.S. Department of Agriculture (USDA), passed through California Department of Education, CFDA Nos. 10.553, 10.555, and 10.559, Grant Agreement No. 19-64733.

Recommendation

We recommend that the District continue to provide training to its staff that performs the verification process to ensure that adequate income verification evidence be obtained.

LOS ANGELES UNIFIED SCHOOL DISTRICT

Status of Prior Year Findings and Recommendations

June 30, 2015

Current Status

Implemented

3. Finding F-14-03– Equipment – Equipment Management Policies

Program Identification:

Title I Grants to Local Educational Agencies, U.S. Department of Education (USED), passed through California Department of Education, CFDA No. 84.010, Grant Agreement No. 14329;

Magnet Schools Assistance Program, U.S. Department of Education (USED), CFDA No 84.165, Grant Agreement No. U165A10057.

Recommendation

The District should continue to strengthen its controls over property management by providing adequate supervision and training to ensure that inventory management procedures be performed properly.

Current Status

Implemented

4. Finding F-14-04 – Matching, Level of Effort and Earmarking

Program Identification:

Gaining Early Awareness and Readiness for Undergraduate Programs (GEAR-UP), U.S. Department of Education (USED), CFDA No. 84.334, Grant Agreement Nos. P334A110166 & P334A110159;

Bold Competition (i3), U.S. Department of Education (USED), CFDA No. 84.396, Grant Agreement No. U396C1000336.

Recommendation

Effective October 1, 2012, the District implemented a policy and procedure for reviewing the matching expenditures. We recommend that the District continue to follow the procedures described in the *Intensive Support and Intervention Division Public School Choice Office Process for Reviewing Matching Expenses*.

Current Status

Implemented

LOS ANGELES UNIFIED SCHOOL DISTRICT

Status of Prior Year Findings and Recommendations

June 30, 2015

5. Finding F-14-05 – Reporting – Performance Reporting

Program Identification:

Vocational Education Basic Grants to States (Perkins IV), U.S. Department of Education (USED), passed through California Department of Education (CDE), CFDA No. 84.048, Grant Agreement No. 13-14894-6473-00;

Twenty-First Century Community Learning Centers, U.S. Department of Education (USED), passed through California Department of Education (CDE), CFDA No 84.287, Grant Agreement Nos. 10-14349-6473-4A, 10-14349-6473-5A, 10-14535-6473-4A, 10-14535-6473-5A, 10-14535-6473-6A.

Recommendation

Vocational Education Basic Grants to States (CFDA No. 84.048): We recommend that the District amend its policies and procedures to include controls over safeguarding of electronic backup files.

21st CCLC (CFDA No 84.287): We recommend that the District strengthen its procedures on attendance documentation to ensure that the agencies performing services for these programs are aware of the District's policies, specifically on maintaining accurate attendance records. In addition, the District should continue to perform monitoring site visits and review the attendance reporting process of its sub-recipients.

Current Status

Implemented

6. Finding F-14-06 – Special Tests and Provisions (Parent Notification Letters) – Support for Notifications

Program Identification:

English Language Acquisition Program, U.S. Department of Education (USED), passed through California Department of Education, CFDA No. 84.365, Grant Agreement No. 14346-64733.

Recommendation

We recommend that the District continue to strengthen its policies and procedures to ensure that the schools comply with the requirement that all parental notifications are completed and submitted in a timely manner. We also recommend that the supporting documentation is maintained on file to support the schools' compliance as required by the English Language Acquisition Program.

Current Status

Implemented

LOS ANGELES UNIFIED SCHOOL DISTRICT

Status of Prior Year Findings and Recommendations

June 30, 2015

Section IV - Findings and Questioned Costs Relating to State Awards

S-14-01 Regular and Special Day Classes – Elementary Schools – Attendance Computations

State Program: Attendance Accounting: Attendance Reporting

State Audit Guide Finding Codes: 10000 and 40000

Schools Affected

- El Sereno Elementary School
- Gates Elementary School
- Kennedy Elementary School
- Lemay Elementary School
- Panorama City Elementary School
- Tulsa Elementary School
- Coughlin Elementary School
- Del Amo Elementary School

Recommendation

We recommend that the District continue to strengthen its controls over implementing District policies over student attendance reporting. Furthermore, we recommend that the District continue to provide adequate attendance reporting training to the schools, so that proper attendance reporting procedures are adhered to.

Current Status

Implemented for affected schools.

S-14-02 Regular and Special Day Classes – Secondary Schools – Attendance Computations

State Program: Attendance Accounting: Attendance Reporting

State Audit Guide Finding Codes: 10000 and 40000

Schools Affected

- Pacoima Middle School
- Edison Middle School
- Kennedy High School
- Van Nuys High School
- South Gate High School
- Belmont High School
- Nobel Middle School (Dependent Charter School)

LOS ANGELES UNIFIED SCHOOL DISTRICT

Status of Prior Year Findings and Recommendations

June 30, 2015

Recommendation

We recommend that the District continue to strengthen its controls over implementing District policies over student attendance reporting. Furthermore, we recommend that the District continue to provide adequate attendance reporting training to the schools so that proper attendance reporting procedures are adhered to.

Current Status

Implemented for Affected Schools.

S-14-03 – After School Education and Safety Program

State Program: After School Education and Safety Program

State Audit Guide Finding Codes: 40000

School Affected

- | | |
|---|-------------------------------|
| • Hooper Elementary School | • Liberty Elementary School |
| • Commonwealth Elementary School | • Union Elementary School |
| • Liggett Elementary School | • Victoria Elementary School |
| • Sterry Elementary School | • Weemes Elementary School |
| • 10 th Street Elementary School | • Beethoven Elementary School |
| • Kester Elementary School | • Broadous Elementary School |
| • Rosewood Elementary School | • Burroughs Middle School |
| • Wadsworth Elementary School | • Lawrence Middle School |
| • Sheridan Elementary School | • Pio Pico Middle School |
| • Plummer Elementary School | • Reed Middle School |
| • Audubon Middle School | • Sepulveda Middle School |
| • Berendo Middle School | • Sun Valley 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 policies, specifically on maintaining accurate attendance records. We also recommend for the District to continue performing agency visits to make sure that the established policies are complied with.

Current Status

Beyond the Bell Branch continues to refine and implement the procedures indicated to ensure that the District is providing training on attendance policies and procedures, as well as monitoring how the procedures are being implemented at the sites, and to ensure that documentation of reported attendance figures is readily available and accurate for auditing purposes.

LOS ANGELES UNIFIED SCHOOL DISTRICT

Status of Prior Year Findings and Recommendations

June 30, 2015

S-14-04 – Unduplicated Local Control Funding Formula Pupil Counts

State Program: Unduplicated Local Control Funding Formula Pupil Counts

State Audit Guide Finding Code: 40000

Schools Affected

- Belmont Senior High
- John Muir Middle
- Loreto Street Elementary
- Venice Senior High

Recommendation

We recommend that the School Information Branch of the District provide updates and training to the staff regarding data entry requirements of CALPADS. Additionally, staff inputting records into CALPADS should validate the accuracy of the data entered and accepted by the system.

Further, the District's schools should follow-up with the state vendor regarding unreturned tests which are used in determining the student's EL eligibility, and should retain a copy of the hand-calculated Student Score Sheet as supporting documentation.

Current Status

Implemented.

INDEPENDENT AUDITOR'S MANAGEMENT LETTER



SIMPSON & SIMPSON
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December 15, 2015

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, 2015, in accordance with auditing standards generally accepted in the United States of America, we considered the District's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies as items FS-2015-001 through FS-2015-003.

Although not considered to be significant deficiencies or material weaknesses, we also noted certain items during our audit, which we would like to bring to your attention. These comments are summarized in the following report to management on pages 352 to 359. Our observations and recommendations have been discussed with appropriate members of management and are intended to strengthen internal controls and operating efficiency.



This communication is intended solely for the information and use of the Board of Education, District management, the State Controller's office, federal awarding agencies, and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

Simpson & Simpson

Current Year Management Letter Comments

1. ML-2015-001 Project Management and Systems Development Procedures

Condition

A project management methodology provides a roadmap for managing projects relative to project organization and life cycle. A systems development methodology provides a roadmap for guiding the implementation and integration of customized (i.e., MiSiS) or vendor packages prior to production implementation.

During the course of our review we noted that project management and systems development processes are not applied in a consistent manner for LAUSD. Various District Reference guides, Policy statements, Bulletins, Change Management/MOC Policy, application specific release cycle management guides (e.g., for SAP, MiSiS, etc.) exist. However, a comprehensive project management and systems development methodology that requires key control points (i.e., business owner approvals, user acceptance testing, business and security requirements development, etc.) be incorporated into a common guiding principles document has not been developed to govern District accounting systems to include MiSiS (a system project that incurred significant implementation difficulties). Such a document can be shared with and communicated to IT and business owners to ensure all project stakeholders remain sufficiently informed and intended system functionality is delivered for major system implementations.

We also noted that differing sign-off requirements and mechanisms (e.g., emails for MiSiS, MOC form templates for Welligent, etc.) exist for approving change management phases (i.e., enhancement requests, user acceptance testing, production migration, etc.) for different accounting systems reviewed during our audit.

A project management methodology can include the following project control points:

- Project Charter definition
- Feasibility study/business case
- Stakeholder/business sponsor identification (e.g., designated users)
- Stakeholder/business sponsor role definitions and project participation required
- Stakeholder/business sponsor milestone deliverable approvals required
- Project Risk Management
- Project Status Reporting/Communication
- Project Quality Assurance
- Stakeholder/business sponsor System Acceptance
- Post Implementation Review

A systems development methodology can include the following project life cycle controls points:

- Requirements Definition
- Development Testing/Sign-offs
- Integration Testing
- User acceptance Testing

Current Year Management Letter Comments

- Issues/problem Prioritization
- Go/No Go Criteria
- User Acceptance
- User Training

Impact

Lack of consistent project management and systems development procedures can impact management control over the implementation process for mission critical LAUSD accounting systems.

Recommendation

Consistent Project Management and Systems Development methodologies should be implemented to guide the consistent implementation and maintenance of major LAUSD accounting systems. Both methodologies can be designed to work in concert to meet project goals. Procedures should include consistent documenting of business sponsor management approval for initiating system implementation projects, program change requests, user acceptance testing and production migration/cutover.

Management Response

We agree that consistent Project Management and Systems Development methodologies should be further implemented to guide the consistent implementation and maintenance of major LAUSD systems however we have to be mindful that certain software products have their own methodologies. For example, SAP uses the SAP methodology aligned with PMI's methodology but specific to SAP. Other software development lifecycles (SDLC's) will require varying processes (e.g. package versus custom, iterative versus waterfall, and others).

ITD is currently conducting a re-organization, including the ITD Program Management Office (PMO). The new IT PMO will review the existing project management and systems development procedures, within the different software development departments, update them for consistency and inclusion (as appropriate), and develop a common guiding principles document within the next six - eight months. We will also expand the project management and systems development procedures to software development areas that are lacking such methodologies.

ML-2015-002 Security Management Policy and Procedures

Condition

Information security management is a critical component to managing information systems that process and track sensitive data to include student academic records, protected health information (PHI), etc. Accordingly, stringent and comprehensive security policies and procedures are warranted to ensure such data is adequately secured and protected from unauthorized use, system intruders and the granting of conflicting and inappropriate access to system users.

Current Year Management Letter Comments

Our review for the District's information security policies and procedures revealed:

- Although a security plan was drafted for the District in November 2013, it has not been updated, formally adopted and implemented. A comprehensive security plan is designed to identify needed data security policy and security measures essential to protecting an organization's data. A security plan ensures security measures are implemented that are commensurate with the business and operational risks associated with the organization's data. It also establishes the basis for comprehensive information security policies and procedures.
- Throughout the prior ten years (from 2005 to present) a series of distinct information security related bulletins have been published by ITD management to address various aspects of security management to include acceptable use of computer resources (2014), firewall filtering (2002, 2010), data classification (2006), description of security standards for networked computer systems (2007), etc. However, information security policies have not been compiled into a common document to ensure security management governance is comprehensive, current and effectively communicated to system stakeholders. Such security governance policies would aide in preventing conflicting access and segregation of duties conditions as reported for SAP in this year's audit.

Impact

Lack of a comprehensive information security plan, policies and procedures could result in sensitive district data being subject to unauthorized access, modifications/changes and use.

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.

Management Response

ITD Security recently released an Informal Request for Proposal (IRFP) to several vendors for IT security plan/roadmap to update the current security plan. The goal of the IRFP is to identify and contract a vendor to provide consulting services to perform a gap analysis, define IT security strategy, and design a roadmap. This will be instrumental in identifying, achieving, and maintaining a desired state for information assurance. Additionally, ITD Security has begun drafting a District-wide ITD Security Governance policy using ISO 27001/2 as a baseline.

ML-2015-003 Cafeteria Management Systems (CMS) Access

Condition

Our sample of thirty-seven users (four with Admin access and thirty-three with Finance access) revealed:

Current Year Management Letter Comments

- Two (2) users with a withdrawn (separated from LAUSD) employee status
- One (1) user with a retired employee status

Although these employees are unable to access their CMS user accounts as their Single Sign-On (SSO) network account access was deleted, there remains a potential risk that their CMS user account could be subject to being hacked by an extender system intruder.

Impact

Inadequate restriction to modify/update access to production accounting data can result in unauthorized changes that could adversely impact the integrity of accounting and financial reporting information.

Recommendation

ITD management should periodically coordinate with Cafeteria management to review CMS access and remove inappropriate access in a timely manner.

Management Response

We have implemented a task that cleans up CMS access and privileges using an HR file interface since November 2015. This task is run every Friday on a manual basis and will deactivate CMS accounts for any employee who is no longer authorized to access CMS such as employees who are separated, retired or assigned in a different job classification or location which is not authorized to use CMS. Deactivated employees will not be able to login to CMS nor access any information as their CMS user accounts will no longer be valid in addition to their invalid LAUSD SSO user account. We are currently automating this job to run on a daily basis and is tentatively planned to be implemented starting December 31, 2015.

ML-2015-004 My Integrated Student Information Systems (MiSiS)

Condition

Our sample of forty (40) MiSiS users revealed four (4) school teachers with MiSiS access to a school that is different than the school or cost center they are assigned to in the SAP HR module.

We were informed that the MiSiS team does not currently have an automated process to remove access based on changes to assignment or employment status.

Impact

Inadequate restriction to modify/update access to production accounting data can result in unauthorized changes that could adversely impact the integrity of accounting and financial reporting information.

Current Year Management Letter Comments

Recommendation

ITD management should implement an automated interface to process a file of employee status changes (e.g., school reassignments) against the MiSiS application security data.

Management Response

The MiSiS team is aware and in the process of refining MiSiS access issues. The automated interface from the HR Mega File will be updated to filter employees who have retired or are deceased as well as identify employees who have changed locations.

The process of removing access from staff no longer assigned to a school cannot be fully automated due to the following various exceptions.

- Staff assigned to a Local District, Central Office, or other location that have received approval from the school administrator via EZ Access
- Itinerant staff assigned to multiple locations (e.g. Adaptive Physical Education teachers, Speech Therapists, Psychiatric Social Workers, etc)
- Former school staff that are assisting new staff during a transitional period

On October 16, 2015, the MiSiS team posted the MiSiS Staff Access Management document on the Apply for Access section of the MiSiS website. The comprehensive guide provides school site administrators information on how to monitor access to their school's data, how to remove access via the EZ Access for MiSiS application, and how to request assistance with removing access from the MiSiS Help Desk. These processes are similar, if not identical, to what school administrators followed with the previous Integrated Student Information System application, LAUSD MAX.

ML-2015-005 Construction in Progress and Transfers to Depreciable Capital Assets

Observation

Since 1997, the District has undertaken numerous construction projects to either repair or modernize existing school facilities and, starting in 2001, to build new schools. Facilities Program Support Services, a branch within the District's Facilities Services Division (FSD), facilitates the proper accumulation and recording of the costs related to construction projects. The Information Technology Division (ITD) and Integrated Library and Textbook Support Services (ILTSS) facilitate proper accumulation and recording of the costs related to School Network Modernization Projects and Library Renovation Programs, respectively. ITD also is responsible for all internally developed software used by the District.

Construction in progress (CIP) is a District general ledger account that refers to the temporary classification of capital assets that are being built/assembled/developed before being placed in service. The District tracks all its costs related to the building/assembly/development of such assets until the asset is completed. The District's formal policy for the determination of when an FSD project is completed is the Notice of Completion (NOC), which is filed with the Los Angeles County Registrar-Recorder Office. For ITD School Network Modernization Projects, the Test and

Current Year Management Letter Comments

Acceptance Form is the determination of completion. Internally developed software is moved to completed projects when substantially completed and put in service. For ILTSS projects, the “Budget Modification Form” issued to close the project is the determination of completion.

During our testing of the costs accumulated in CIP and transfers to depreciable capital assets, we noted that a Facilities construction project amounting to \$32.7 million was moved to completed projects during fiscal year 2015, but was still ongoing and should not have been transferred CIP. We also noted that an ITD project amounting to \$36.3 million was completed during fiscal year 2015 but was still in CIP. Depreciation expense related to this completed project amounted to \$7.3 million. In addition, we noted that costs amounting to \$7.3 million associated with ILTSS projects in CIP should not have been capitalized as they were non-capital in nature. A total amount of \$2.7 million were expenditures incurred in fiscal year 2015, and \$4.6 million was incurred in prior years.

Impact

During fiscal year 2014, the District established new and improved policies and procedures and conducted training for the analysis and reconciliation of the CIP accounts. Due to the District’s continuous effort to clean up the CIP accounts, misclassification of non-capital costs, construction in progress, and depreciable capital assets were discovered that resulted in audit adjustments in depreciation expenses for fiscal year 2015.

Recommendation

We recommend that FSD and ITD continue to follow the District’s policies and procedures. The FSD’s and ITD’s staff should perform a detail review and analysis of construction projects prior to transfer from the CIP accounts to completed projects to ensure that the project has been completed and supporting documentation for completion are being maintained. We also recommend that FSD and ITD dedicate sufficient staff resources to perform timely analysis and review of the CIP accounts. Finally, we recommend that the ILTSS perform an analysis of the cost accumulated in the CIP accounts to ensure that they are capital in nature.

Management Response

Management concurs with the recommendation and is committed to continually make improvements and follow the District’s policies and procedures. New reports are scheduled for release later in December 2015 that link asset records and transactions to the source projects. The District also implemented new guidelines and a capitalization classification system for managing over 11,500 projects and over 75,000 CIP and asset records that significantly reduced capitalization errors during fiscal year 2015. Staff has reviewed Construction in Progress (CIP) balances for Integrated Library and Textbook Support Services (ILTSS) projects and made adjustments to exclude items that are not capital in nature. ILTSS staff has been trained on the use of separate project codes for expense and capital items to ensure the expense items are not improperly included in the CIP account.

In addition to the above, the District will continue to work on improvements by taking the following steps: 1) address staffing requirements to reduce user error and ensure timely analysis and review of the CIP accounts; 2) provide ongoing training to ensure adherence to established policies and

Current Year Management Letter Comments

procedures; and 3) work collaboratively among the different teams (Facilities Services Division, Information Technology Division, Integrated Library & Textbook Support Services, and Accounting) for any issues.

ML-2015-006 - Procurement of Professional Services

Observation

Our review over the internal controls of the District's procurement procedures related to Professional Services revealed one contract with a procured vendor in which the District did not obtain a Due Diligence investigation and/or background check in a timely manner in accordance with the District's Desk-Top Procedures for Facilities Contracts, partially revised in March 2015 which states, "The District will perform due diligence investigation and/or background check of any Architectural-Engineering (A-E) or Professional Services firm planning to enter into a contract agreement with the District."

The threshold requirement for requesting a Due Diligence report is as follows: "Facilities Services Division (FSD) shall request the Office of the Inspector General (OIG) to conduct Due Diligence reviews on all new contractors and consultants being considered for award on contracts valued over \$5 million."

The total value of the contract exceeded the \$5 million threshold during Fiscal Year 2015.

Impact

Untimely review of procured vendor's Due Diligence Investigation will delay the District's response to potential issues which may arise from the investigation. As it states in the District's Desk-Top Procedures for Facilities Contracts, "upon review of the Due Diligence Investigation, if there are any serious issues which are uncovered, the Director of Facilities Contracts (or his designee) will conduct a responsibility hearing with the firm to validate/discard the issues raised. If the responsibility hearing proves the firm is non-responsible, the Facilities Contract will not issue any addition task orders to that firm until the contract expires."

Recommendation

The District should adhere to its internal control procedures for facilities contracts, and perform Due Diligence Investigations based on those requirements.

Management Response

In July of 2014, a new protocol was established by Facilities Contracts, Procurement, and the OIG to raise the triggering amount of a Due Diligence Investigation to \$5,000,000. While this new protocol was known by the staff of Facilities Contracts, the "Desk-Top Procedures for Facilities Contracts" was not updated at that time.

*The Honorable Board of Education
Los Angeles Unified School District
December 15, 2015*

Current Year Management Letter Comments

In addition, a review of contracts over \$5,000,000 both in aggregate and as awarded in a single contract will be done. This review will be part of the contract review, and, a Due Diligence check box will be added to the Contract Summary Form that is provided for each contract going to the Board.

The review of the contract files, training of staff, and revisions to Facilities Contracts Desk-Top Procedures and other forms is expected to be completed by December 1, 2015.

Status of Prior Year Management Letter Comments

ML-14-01 Payroll's SAP PA30 Maintain Human Resource Data Access

Recommendation

Inappropriate access to SAP Payroll's PA30 Maintain Human Resource Data transaction should be removed in a timely manner. Also, the District's SAP GRC (Governance, Risk and Compliance) tool can be utilized to facilitate and document a periodic review (for example every 6 to 12 months) of SAP security roles by their respective business owner.

Current Status

Corrective action(s) implemented.

ML-14-02 SAP Maintain Payroll Position Descriptions Access

Recommendation

Inappropriate access to SAP Payroll's maintain payroll position descriptions (PO13) transaction should be removed in a timely manner. Also, the District's SAP GRC tool can be utilized to facilitate and document a periodic review (for example every 6 to 12 months) of SAP security roles by their respective business owner.

Current Status

Corrective action(s) implemented.

ML-14-03 SAP Correct Payroll transaction Access

Recommendation

Inappropriate access to SAP Payroll's Correct Payroll transaction (PC00_M99_PA03_CORR) should be removed in a timely manner. Also, the District's SAP GRC tool can be utilized to facilitate and document a periodic review (for example every 6 to 12 months) of SAP security roles by their respective business owner.

Current Status

Corrective action(s) implemented.

ML-14-04 SAP Maintain Benefit Tables Transaction Access

Recommendation

Inappropriate access to SAP Payroll's maintain benefit tables transaction (PA92) should be removed in a timely manner. Also, the District's SAP GRC tool can be utilized to facilitate and document a periodic review (for example every 6 to 12 months) of SAP security roles by their respective business owner.

Status of Prior Year Management Letter Comments

Current Status

Corrective action(s) implemented.

ML-14-05 SAP Cost Center Assignments Transaction Access

Recommendation

Inappropriate access to the SAP cost center assignments transaction (PP03) should be removed in a timely manner. Also, the District's SAP GRC tool can be utilized to facilitate and document a periodic review (for example every 6 to 12 months) of SAP security roles by their respective business owner.

Current Status

Corrective action(s) not implemented. See the FS-2015-003 (Access to SAP Payroll Transactions) of the Schedule of Findings and Questioned Costs section.

ML-14-06 SAP Additional Payments Infotype Access

Recommendation

Inappropriate access to the SAP Additional Payments infotype (015) should be removed in a timely manner. Also, the District's SAP GRC tool can be utilized to facilitate and document a periodic review (for example every 6 to 12 months) of SAP security roles by their respective business owner.

Current Status

Corrective action(s) implemented.

ML-14-07 Business Continuity / IT Disaster Recovery Planning

Recommendation

A Business Continuity Plan should be developed. This plan should address the requirements for alternative processing and timely recovery of mission critical IT services. The plan should be tested on a regular basis to ensure that IT systems can be effectively recovered, shortcomings are addressed and the plan remains relevant.

Current Status

Corrective action(s) in progress.

Status of Prior Year Management Letter Comments

ML-14-08 Construction in Progress and Transfers to Depreciable Capital Assets

Recommendation

We recommend that the FSD, ITD, and ILTSS departments dedicate sufficient staff resources to perform timely analysis and review of the CIP accounts.

Corrective Action

Corrective action(s) not implemented. See ML-2015-005 of the Current Year Management Letter Comments.

ML-14-09 Procurement of Construction Contracts

Recommendation

The District should adhere to the reporting requirements set forth by the DIR, and retain supporting documentation of the submission.

Current Status

Corrective action(s) implemented.

ML-14-10 Procurement of Professional Services

Recommendation

The District should adhere to the District's Desk-Top Procedures for Facilities Contracts, and perform Due Diligence Investigations based on the requirements.

Corrective Action

Corrective action(s) not implemented. See ML-2015-006 of the Current Year Management Letter Comments.

APPENDIX C

BOOK-ENTRY ONLY SYSTEM

THE INFORMATION IN THIS APPENDIX C CONCERNING THE DEPOSITORY TRUST COMPANY AND ITS BOOK-ENTRY SYSTEM HAS BEEN OBTAINED FROM SOURCES THAT THE DISTRICT AND THE UNDERWRITERS BELIEVE TO BE RELIABLE, BUT THE DISTRICT AND THE UNDERWRITERS TAKE NO RESPONSIBILITY FOR THE ACCURACY OR COMPLETENESS THEREOF. THERE CAN BE NO ASSURANCE THAT THE DEPOSITORY TRUST COMPANY WILL ABIDE BY ITS PROCEDURES OR THAT SUCH PROCEDURES WILL NOT BE CHANGED FROM TIME TO TIME.

The Depository Trust Company (“DTC”) will act as securities depository for the 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 each Series of the Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 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 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 FINANCIAL 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 (I) PAYMENTS OF PRINCIPAL OF AND INTEREST EVIDENCED BY THE BONDS (II) 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 FINANCIAL 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 issuance of the Bonds, Hawkins Delafield & Wood LLP, Los Angeles, California, Bond Counsel to the Los Angeles Unified School District, will render its approving opinion with respect to the Bonds in substantially the following form:

[Closing Date]

Board of Education
Los Angeles Unified School District
Los Angeles, California

Ladies and Gentlemen:

We have acted as Bond Counsel in connection with the issuance of the \$648,955,000 Los Angeles Unified School District (County of Los Angeles, California) General Obligation Bonds, Election of 2008, Series A (2016) (Dedicated Unlimited Ad Valorem Property Tax Bonds) (the “New Money Bonds”) and the \$577,400,000 Los Angeles Unified School District (County of Los Angeles, California) 2016 General Obligation Refunding Bonds, Series A (Dedicated Unlimited Ad Valorem Property Tax Bonds) (the “Refunding Bonds” and, together with the New Money Bonds, the “Bonds”).

The New Money Bonds are issued by the County of Los Angeles, California (the “County”) on behalf of the Los Angeles Unified School District (the “District”) pursuant to Section 1(b)(3) of Article XIII A of the State Constitution, Chapters 1 and 1.5 of Part 10 of Division 1 of Title 1 of the California Education Code (the “Act”) and other applicable law, a vote of the qualified electors of the Board of Education of the District (the “District Board”) on November 4, 2008, the resolution adopted by the District on November 10, 2015 (the “District Resolution”) and the resolution adopted by the Board of Supervisor of the County on February 9, 2016 (the “County Resolution” and, together with the District Resolution, the “New Money Resolutions”).

The Refunding Bonds are being issued pursuant to Title 5, Division 2, Part 1, Chapter 3, Article 9 and Article 11 of the California Government Code (the “Refunding Law”), and other applicable law, each as amended, and a resolution adopted by the District Board on April 14, 2015, as amended on November 10, 2015 (as amended, the “Refunding Resolution”).

We have examined and relied on originals or copies, certified or otherwise identified to our satisfaction, of these documents and such other documents, instruments, proceedings or corporate records, and have made such investigation of law, as we have considered necessary or appropriate for the purpose of this opinion.

Based on the foregoing, we are of the opinion that under existing law:

(1) The District Resolution and the Refunding Resolution have been duly adopted by the District Board and constitute valid and binding obligations of the District enforceable against the District in accordance with their respective terms.

(2) The County Resolution has been duly adopted by the County and constitutes the 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 herein, (a) interest on the Bonds is excluded from gross income for Federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code") and (b) interest on the Bonds is not treated as a preference item in calculating the alternative minimum tax imposed on individuals and corporations under the Code; such interest, however, is included in the adjusted current earnings of certain corporations for purposes of calculating the alternative minimum tax imposed on such corporations.

The Code establishes certain requirements that must be met subsequent to the issuance and delivery of the Bonds in order that, for Federal income tax purposes, interest on the Bonds be not included in gross income pursuant to Section 103 of the Code. These requirements include, but are not limited to, requirements relating to the use and expenditure of Bond proceeds, restrictions on the investment of Bond proceeds prior to expenditure and the requirement that certain earnings be rebated to the Federal government. Noncompliance with such requirements may cause interest on the Bonds to be included in gross income for purposes of Federal income taxation retroactive to their date of issuance, irrespective of the date on which such noncompliance occurs or is ascertained.

On the date of delivery of the 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 Bonds will, for Federal income tax purposes, be excluded from gross income.

In rendering the opinion in this paragraph (4), 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 Bonds, and (b) compliance by the District with the procedures and covenants set forth in the Tax Certificate as to such tax matters.

(5) Under existing statutes, interest on the Bonds is exempt from State of California personal income taxes.

Except as stated in paragraphs (4) and (5) above, we express no opinion regarding any Federal, state or local tax consequences arising with respect to the Bonds or the ownership or disposition thereof. We render this opinion under existing statutes and court decisions as of the date of issuance of the Bonds, and assume no obligation to update, revise or supplement this opinion to reflect any action hereafter taken or not taken, or any facts or circumstances that may hereafter come to our attention, or changes in law or in interpretations thereof that may hereafter occur, or for any other reason. We express no opinion on the effect of any action hereafter taken or not taken in reliance upon an opinion of other counsel on the exclusion from gross income for Federal income tax purposes of the interest on the Bonds, or the exemption from personal income taxes of interest on the Bonds under state and local tax law.

We undertake no responsibility for the accuracy, completeness or fairness of any official statement or other offering materials relating to the Bonds and express herein no opinion relating thereto.

The foregoing opinions are qualified to the extent that the enforceability of the Bonds, the New Money Resolutions, the Refunding Resolution and the Tax Certificate may be limited by bankruptcy, moratorium, insolvency or other laws affecting creditors' rights or remedies and are subject to general principles of equity (regardless of whether such enforceability is considered in equity or at law), and to the limitations on legal remedies against governmental entities in the State of California (including, but not limited to, rights of indemnification).

This opinion is issued as of the date hereof, and we assume no obligation to update, revise or supplement this opinion to reflect any action hereafter taken or not taken, or any facts or circumstances, or any changes in law or in interpretations thereof, that may hereafter arise or occur, or for any other reason.

Very truly yours,

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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 New Money Resolutions (defined herein) with respect to the Series 2016A Bonds (defined herein) and the Refunding Resolution (defined herein) with respect to the Refunding Bonds (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.

“CUSIP Numbers” shall mean the Committee on Uniform Security Identification Procedure’s unique identification number for each public issue of a security.

“Beneficial Owner” shall mean any person who (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries), or (b) is treated as the owner of any Bonds for federal income tax purposes.

“Bonds” shall mean, collectively, the Series 2016A Bonds and the Refunding Bonds.

“County” shall mean the County of Los Angeles, California.

“Dissemination Agent” shall mean Digital Assurance Certification, L.L.C., or any successor Dissemination Agent designated in writing by the District and which has filed with the District a written acceptance of such designation.

“Disclosure Counsel” shall mean an attorney-at-law, or a firm of such attorneys, of nationally recognized standing in matters pertaining to the disclosure obligations under the Rule, duly admitted to the practice of law before the highest court of any state of the United States of America.

“EMMA System” shall mean the MSRB’s Electronic Municipal Market Access system, the current internet address of which is <http://emma.msrb.org>.

“Holder” shall mean either the registered owners of the Bonds, or if the Bonds are registered in the name of The Depository Trust Company or another recognized depository, any applicable participant in such depository system.

“Listed Events” shall mean any of the events listed in Section 6(b) of this Disclosure Certificate.

“MSRB” shall mean the Municipal Securities Rulemaking Board established pursuant to Section 15B(b)(1) of the Securities Exchange Act of 1934, or any successor thereto or to the functions of the MSRB contemplated by this Disclosure Certificate.

“New Money Resolutions” shall mean, collectively, the resolution adopted by the Board of Education of the District on November 10, 2015 and the resolution adopted by the Board of Supervisors of the County on February 9, 2016.

“Official Statement” shall mean the Official Statement dated March 1, 2016 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.

“Refunding Bonds” shall mean the 2016 General Obligation Refunding Bonds, Series A(Dedicated Unlimited *Ad Valorem* Property Tax Bonds).

“Refunding Resolution” shall mean the resolution adopted by the Board of Education of the District on April 14, 2015, as amended on November 10, 2015.

“Resolutions” shall mean, collectively, the New Money Resolutions and the Refunding Resolution.

“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.

“Series 2016A Bonds” shall mean the District’s Los Angeles Unified School District (County of Los Angeles, California) General Obligation Bonds, Election of 2008, Series A (2016) (Dedicated Unlimited *Ad Valorem* Property Tax Bonds).

Section 3. Transmission of Notices, Documents and Information.

(a) Unless otherwise required by the MSRB, all notices, documents and information provided to the MSRB shall be provided to the EMMA System.

(b) All notices, documents and information provided to the MSRB shall be provided in an electronic format as prescribed by the MSRB.

Section 4. Provision of Annual Reports. The District shall, or shall cause the Dissemination Agent to, not later than 240 days following the end of the District’s fiscal year

(currently ending June 30), commencing with the report for the 2015-16 Fiscal Year (which is due not later than February 25, 2017), provide to the MSRB through its EMMA System an Annual Report which is consistent with the requirements of Section 5 of this Disclosure Certificate. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 5 of this Disclosure Certificate. If the District's fiscal year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 6(c).

Not later than thirty (30) days (not more than sixty (60) days) prior to the date on which the Annual Report is to be provided pursuant to subsection (a), the Dissemination Agent shall give notice to the District that the Annual Report is so required to be filed in accordance with the terms of this Disclosure Certificate. Not later than fifteen (15) days prior to said date, the District shall provide the Annual Report to the Dissemination Agent (if other than the District). If the District is unable to provide to the MSRB through its EMMA System an Annual Report by the date required in subsection (a), the Dissemination Agent shall send a notice of such fact to the MSRB through its EMMA System.

The Dissemination Agent shall: determine each year prior to the date for providing the Annual Report the EMMA System the date on which such Annual Report shall be due and notify the District of such date; and (if the Dissemination Agent is other than the District) file a report with the District certifying that the Annual Report has been provided pursuant to this Disclosure Certificate, stating the date it was provided and that it was provided to the MSRB through the EMMA System.

Section 5. Content of Annual Reports. The District's Annual Report shall contain or include by reference the following:

(a) Audited financial statements of the District for the preceding fiscal year, prepared in accordance with the laws of the State of California and including all statements and information prescribed for inclusion therein by the Controller of the State of California. If the District's audited financial statements are not available by the time the Annual Report is required to be filed pursuant to Section 4 hereof, the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in the final Official Statement, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available.

(b) To the extent not included in the audited financial statement of the District, the Annual Report shall also include the following:

- (i) Table 3 – “Historical Gross Assessed Valuation of Taxable Property” if and to the extent provided to the District by the County;
- (ii) Table 4 – “Assessed Valuation and Parcels by Land Use”;
- (iii) Table 5 – “Assessed Valuations of Single Family Homes per Parcel”;
- (iv) Table 6 – “Largest Local Secured Taxpayers”;

(v) Table 8 – “Secured Tax Charges and Delinquencies,” if and to the extent provided to the District by the County;

(vi) Table A-1 – “Annual Average Daily Attendance”;

(vii) Table A-6 – “District General Fund Budget” for the current fiscal year;

(viii) Table A-24 – “Proposition BB (Election of 1997) Bonds,” if and only to the extent that bonds issued pursuant to Proposition BB or bonds that have refunded such bonds are outstanding;

(ix) Table A-25 – “Measure K (Election of 2002) Bonds,” if and only to the extent that bonds issued pursuant to Measure K or bonds that have refunded such bonds are outstanding;

(x) Table A-26 – “Measure R (Election of 2004) Bonds,” if and only to the extent that bonds issued pursuant to Measure R or bonds that have refunded such bonds are outstanding; and

(xi) Table A-27 – “Measure Y (Election of 2005) Bonds,” if and only to the extent that bonds issued pursuant to Measure Y or bonds that have refunded such bonds are outstanding.

(c) It shall be sufficient for purposes of Section 4 hereof if the District provides annual financial information by specific reference to documents (i) available to the public on the MSRB Internet Web site (currently, www.emma.msrb.org) or (ii) filed with the Securities and Exchange Commission. The District shall clearly identify each such other document so included by reference. The provisions of this Section 5(c) shall not apply to notices of Listed Events pursuant to Section 6 hereof.

(d) The descriptions contained in clause (b) above of financial information and operating data constituting to be included in the Annual Report are of general categories or types of financial information and operating data. When such descriptions include information that no longer can be generated because the operations to which it related have been materially changed or discontinued, or due to changes in accounting practices, legislative or organizational changes, a statement to that effect shall be provided in lieu of such information. Comparable information shall be provided if available.

Section 6. Reporting of Listed Events.

(a) If a Listed Event occurs, the District shall provide or cause to be provided, in a timely manner not in excess of ten (10) Business Days of the District having notice of such Listed Event, notice of such Listed Event to (i) the EMMA System of the MSRB and (ii) the Dissemination Agent.

Pursuant to the provisions of this Section 6, the District shall give, or cause to be given, notice of the occurrence of any of the following events (each, a “Listed Event”) with respect to the Bonds:

- (i) principal and interest payment delinquencies;
- (ii) non-payment related defaults, if material;
- (iii) modifications to rights of Holders, if material;
- (iv) Bond calls, if material and tender offers;
- (v) defeasances;
- (vi) rating changes;
- (vii) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (Internal Revenue Service Form 5701-TEB) or other material notices of determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds;
- (viii) unscheduled draws on the debt service reserves reflecting financial difficulties;
- (ix) unscheduled draws on the credit enhancements reflecting financial difficulties;
- (x) release, substitution or sale of property securing repayment of the Bonds, if material;
- (xi) bankruptcy, insolvency, receivership or similar event of the District (such event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for the District in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under State or federal law in which a court or government authority has assumed jurisdiction over substantially all of the assets or business of the District, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the District);
- (xii) substitution of credit or liquidity providers, or their failure to perform;
- (xiii) the consummation of a merger, consolidation, or acquisition involving the District or the sale of all or substantially all of the assets of the District, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;
- (xiv) appointment of a successor or additional Paying Agent or the change of name of a Paying Agent, if material; and

(xv) any amendment or waiver of a provision of this Disclosure Certificate.

The District notes that items (viii), (ix), (x) and (xii) are not applicable to the Bonds.

If the District determines that a Listed Event has occurred, the District shall promptly notify the Dissemination Agent in writing. Such notice shall instruct the Dissemination Agent to report the occurrence pursuant to Section 3 hereof.

If the Dissemination Agent has been instructed by the District to report the occurrence of a Listed Event, the Dissemination Agent shall file a notice of such occurrence with the MSRB through its EMMA System.

Notwithstanding the foregoing, notice of Listed Events described in subsections (b)(iv) and (v) need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to Holders of affected Bonds pursuant to the Resolutions.

Section 7. CUSIP Numbers. Whenever providing information to the Dissemination Agent, including but not limited to Annual Reports, documents incorporated by reference to the Annual Reports, Audited Financial Statements and notices of Listed Events, the District shall indicate the full name of the 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 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.

Dated: April 5, 2016

LOS ANGELES UNIFIED SCHOOL
DISTRICT

By: _____
Megan K. Reilly
Chief Financial Officer

ACKNOWLEDGED AND AGREED TO BY:

DIGITAL ASSURANCE CERTIFICATION,
L.L.C., as Dissemination Agent

By: _____
Dissemination Agent

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APPENDIX F

THE LOS ANGELES COUNTY TREASURY POOL

The Treasurer and Tax Collector of the County of Los Angeles (the “Treasurer”) manages, in accordance with California Government Code Section 53600 et seq., funds deposited with the Treasurer by County school and community college districts, various special districts and some cities. State law generally requires that all moneys of the County, school districts and certain special districts be held in the County’s Treasury Pool (the “Treasury Pool”) as described below. The composition and value of investments under management in the Treasury Pool vary from time to time, depending on the cash flow needs of the County and the other public agencies invested in the Treasury Pool, the maturity or sale of investments, purchase of new securities and fluctuations in interest rates generally. The Treasurer maintains a website, the address of which is <http://ttc.lacounty.gov>, on which the Treasurer periodically places information relating to the Treasury Pool. However, the information presented there is not part of this Official Statement, is not incorporated by reference herein and should not be relied upon in making an investment decision with respect to the Bonds.

County of Los Angeles Pooled Surplus Investments

The Treasurer and Tax Collector (the “Treasurer”) of the County of Los Angeles (the “County”) has the delegated authority to invest funds on deposit in the County Treasury (the “Treasury Pool”). As of January 31, 2016, 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	\$11.746
Schools and Community Colleges	12.426
Independent Public Agencies	2.145
Total	<u>\$26.317</u>

The Treasury Pool participation composition is as follows:

Non-discretionary Participants	91.85%
Discretionary Participants:	
Independent Public Agencies	7.10
County Bond Proceeds and Repayment Funds	<u>1.05</u>
Total	<u>100.00</u>

Decisions on the investment of funds in the Treasury Pool are made by the County Investment Officer in accordance with established policy, with certain transactions requiring the Treasurer’s prior approval. In Los Angeles County, investment decisions are governed by Chapter 4 (commencing with Section 53600) of Part 1 of Division 2 of Title 5 of the California

Government Code, which governs legal investments by local agencies in the State of California, and by a more restrictive Investment Policy developed by the Treasurer and adopted by the Los Angeles County Board of Supervisors on an annual basis. The Investment Policy adopted on March 31, 2015, 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 March 2, 2016, the January 31, 2016 book value of the Treasury Pool was approximately \$26.317 billion and the corresponding market value was approximately \$26.325 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 January 31, 2016:

Type of Investment	% of Pool
U.S. Government and Agency Obligations	55.40
Certificates of Deposit	14.83
Commercial Paper	29.40
Bankers Acceptances	0.00
Municipal Obligations	0.18
Corporate Notes & Deposit Notes	0.19
Asset Backed Instruments	0.00
Repurchase Agreements	0.00
Other	<u>0.00</u>
	<u>100.00</u>

The Treasury Pool is highly liquid. As of January 31, 2016, approximately 46.43% of the investments mature within 60 days, with an average of 533 days to maturity for the entire portfolio.

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