LOS ANGELES UNIFIED SCHOOL DISTRICT

Audited Annual

FINANCIAL REPORT

For Fiscal Year Ended June 30, 2017





2016-2017

Los Angeles, CA

LOS ANGELES UNIFIED SCHOOL DISTRICT
LOS ANGELES, CALIFORNIA

AUDITED ANNUAL FINANCIAL REPORT
FISCAL YEAR ENDED JUNE 30, 2017

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

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

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

MR. V. LUIS BUENDIA
CONTROLLER

PREPARED BY
ACCOUNTING AND DISBURSEMENTS DIVISION

333 S. BEAUDRY AVENUE
LOS ANGELES, CALIFORNIA 90017

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

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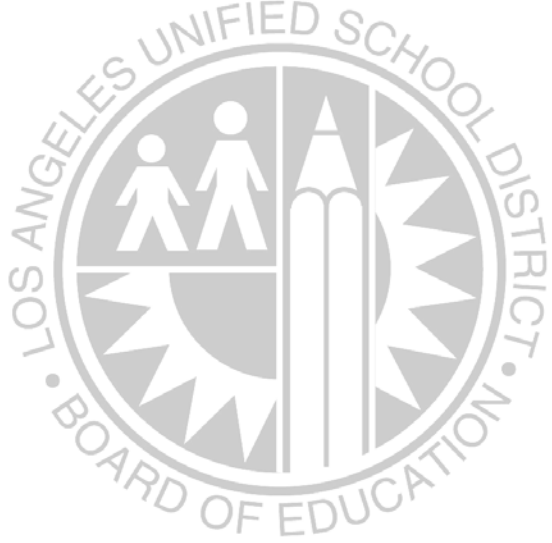
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LOS ANGELES UNIFIED SCHOOL DISTRICT
BOARD OF EDUCATION

INTRODUCTORY SECTION

MEMBERS OF THE BOARD

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LOS ANGELES UNIFIED SCHOOL DISTRICT

MICHELLE KING, Ed.D.
Superintendent of Schools

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

V. LUIS BUENDIA
Controller

December 14, 2017

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

Dear Board Members:

The Audited Annual Financial Report of the Los Angeles Unified School District (District), for the fiscal year ended June 30, 2017, is hereby submitted. Responsibility for both the accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures, rests with the District. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the District. All disclosures necessary to enable the reader to gain an understanding of the District's financial activities have been included. The report also includes a "State and Federal Compliance Information" section, which is designed to meet the reporting requirements of the Office of the California State Controller, the U.S. General Accounting Office, the U.S. Office of Management and Budget, and the Single Audit Act Amendments of 1996.

Independent Audit

EC §41020 provides that each school district shall arrange for an audit by certified public accountants of its books and accounts, including the District's income by source of funds and expenditures by object and program. The District's contract auditor for 2016-17 is Simpson & Simpson, CPAs. The independent auditor's report on the basic financial statements is presented in the Financial Section of this report on page 1.

Management Discussion and Analysis (MD&A)

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

Profile of the Los Angeles Unified School District

The District encompasses approximately 710 square miles in the western section of Los Angeles County. The District's boundaries include most of the City of Los Angeles, all of the Cities of Cudahy, Gardena, Huntington Park, Lomita, Maywood, San Fernando, Vernon and West Hollywood, and portions of the Cities of Bell, Bell Gardens, Beverly Hills, Calabasas, Carson, Commerce, Culver City, Hawthorne, Inglewood, Long Beach, Lynwood, Montebello, Monterey Park, Rancho Palos Verdes, Santa Clarita, South Gate and Torrance. The District was formed in 1854 as the Common Schools for the City of Los Angeles and became a unified school district in 1960.

As of June 30, 2017, the District is operating 449 elementary schools, 82 middle/junior high schools, 95 senior high schools, 54 options schools, 24 multi-level schools, 14 special education schools, 47 magnet schools and 168 magnet centers, 2 community adult schools, 6 regional occupational centers, 3 skills center, 1 regional occupational program center, 86 early education centers, 4 infant centers, and 19 primary school centers. The District is governed by a seven-member Board of Education elected by voters within the District to serve alternating five-year terms. These terms were extended to five years for members elected in 2015 and thereafter. As of June 30, 2017, the District employed 37,258 certificated, 27,197 classified, and 15,024 unclassified employees. Enrollment as of September 2016 was 513,875 students in K-12 schools, 33,371 students in adult schools and centers, and 12,507 children in early education centers.

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

Economic Condition and Outlook

The U.S. economy continues to grow modestly with an expected downward trend for unemployment and showing no signs of an impending recession. However, UCLA Anderson Forecast pointed out that although the country is in its eighth year of expansion, the rate of growth has been the mildest of any U.S. expansion on record. Gross domestic product (GDP) growth rate provides an overview of how fast the economy is growing and is regarded to be an important indicator of economic health. In the UCLA Anderson Forecast's report for the third quarter of 2017, real GDP is estimated to grow by 2.1% in 2017, 2.8% in 2018, and 2.1% in 2019. According to the data by the Bureau of Economic Analysis of the U.S. Department of Commerce, real GDP for the country increased 2.4% in 2014, 2.6% in 2015, and 1.6% in 2016.

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

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

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

Last June 2017, Governor Brown signed the 2017-18 State Budget with $125 billion budget in the General Fund and a $74.5 billion investment in Proposition 98. Proposition 98 provides funding to K-12 schools and community colleges. Underlying the state enacted budget is an average annual personal income growth

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

Superintendent's Strategic Plan

The Strategic Plan represents L.A. Unified's commitment to 100% graduation. This will be achieved through excellence, high expectations and continuous learning. The plan also outlines fundamental strategy, the essential elements of effective learning environments, objectives and key initiatives. The plan is intended to cultivate common understanding and coherence, and to empower all stakeholders to take action toward creating a district of graduates. It provides the prioritized framework from which L.A. Unified will work.

In its relentless pursuit to educate, graduate and inspire its diverse student population, L.A. Unified must make certain that it has access to the highest caliber staff and services available. It must also guarantee that families are actively and meaningfully involved. Each and every person plays an important role in meeting the academic, social-emotional and physical needs of L.A. Unified students.

Financial Information

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

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

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

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

Financial Results

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

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

Audit Results

The District received an Unmodified financial audit. An unmodified or "clean" opinion is issued when the auditor is able to state that the financial statements are fairly presented in all material respects in conformity with generally accepted accounting principles (GAAP). For the federal compliance audit, all 13 programs audited received an Unmodified audit. The District also received an Unmodified state compliance audit.

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

Acknowledgments

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

Respectfully submitted,

Michelle King, Ed.D.
Superintendent of Schools

Prepared by:

V. Luis Buendia
Controller

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

BOARD OF EDUCATION

Mónica García
President

Dr. George J. McKenna III

Dr. Ref Rodriguez

Scott M. Schmerelson

Kelly Gonez

Nick Melvoin

Dr. Richard A. Vladovic

PRINCIPAL SCHOOL DISTRICT OFFICIALS

Dr. Michelle King
Superintendent of Schools

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

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

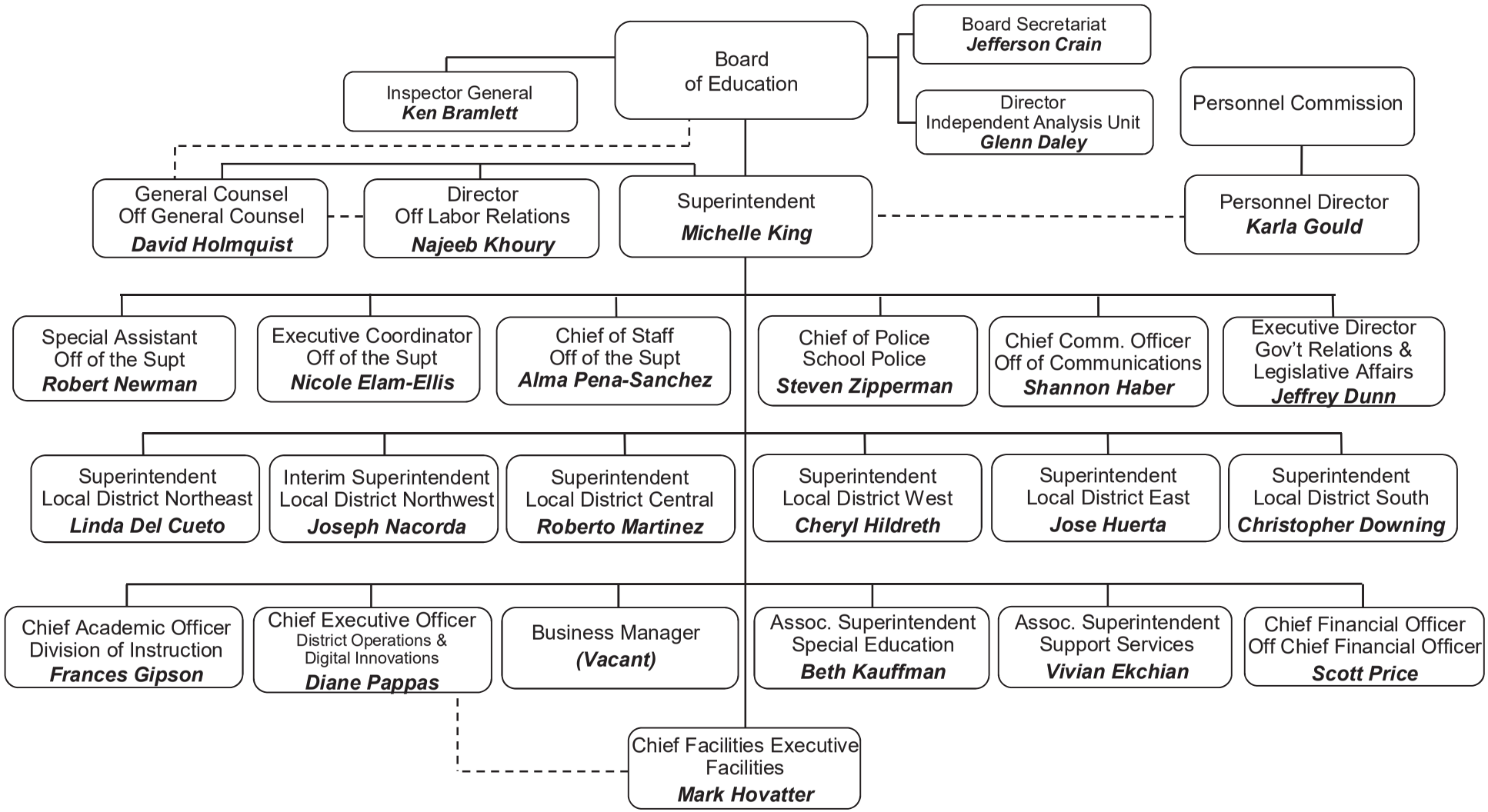
V. Luis Buendia
Controller

LOCAL DISTRICT OFFICIALS

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

LAUSD Organization Chart – Revised 11-16-2017

School Year 2017-2018



FINANCIAL SECTION

SIMPSON & SIMPSON
CERTIFIED PUBLIC ACCOUNTANTS

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Independent Auditor's Report

To The Honorable Board of Education
Los Angeles Unified School District

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the **Los Angeles Unified School District** (the District) as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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Opinions

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 13 and the required supplementary information on pages 75-79 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

The supplementary information on pages 80 to 109, 118 to 126, and 132, and the schedule of expenditures of federal awards and related notes on pages 133-137, are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory section and the supplementary information on pages 111 to 117 and 127 to 131 have not been subjected to the auditing procedures applied in the audit of the basic financial statements and accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

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

Simpson & Simpson

Los Angeles, California
December 14, 2017

As management of the Los Angeles Unified School District, we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2017.

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

Financial Highlights

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

Overview of the Basic Financial Statements

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements comprise three components: 1) government-wide financial statements; 2) fund financial statements; and 3) notes to basic financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

The statement of net position presents information on all of the District's assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference between these elements as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The statement of activities presents information showing how the District's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

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

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

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

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

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

The District maintains 20 individual governmental funds. In the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures and changes in fund balances, separate columns are presented for General Fund, District Bonds Fund, Bond Interest and Redemption Fund, and all other funds. Individual account data for all other nonmajor governmental funds are provided in the form of *combining statements* elsewhere in this report.

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

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

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

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

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

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

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

Notes to basic financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 26-74 of this report.

Combining and individual fund schedules and statements. Combining schedules and statements consisting of the budget to actual comparisons for District Bonds Fund, Bond Interest and Redemption Fund, the individual accounts within the nonmajor governmental funds, the internal service funds and the fiduciary funds are presented immediately following the required supplementary information. Combining and individual fund schedules and statements can be found on pages 80-109 of this report.

Government-wide Financial Analysis

As noted earlier, net position over time may serve as a useful indicator of a government's financial position. In the case of the District, liabilities plus deferred inflows of resources exceeded assets plus deferred outflows of resources by $5.1 billion at the close of the most recent year.

The District's net position reflects its investments in capital assets ($5.0 billion) (e.g., land, buildings, and equipment), less any related debt used to acquire those assets that are still outstanding. The District uses these capital assets to provide services to students; consequently, these assets are not available for future spending. Although the District's investments in its capital assets are reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

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

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

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

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

Summary Statements of Net Position (in thousands)

As of June 30, 2017 and 2016:

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

(Continued)

Summary Statements of Changes in Net Position (in thousands)

Year ended June 30, 2017 and 2016:

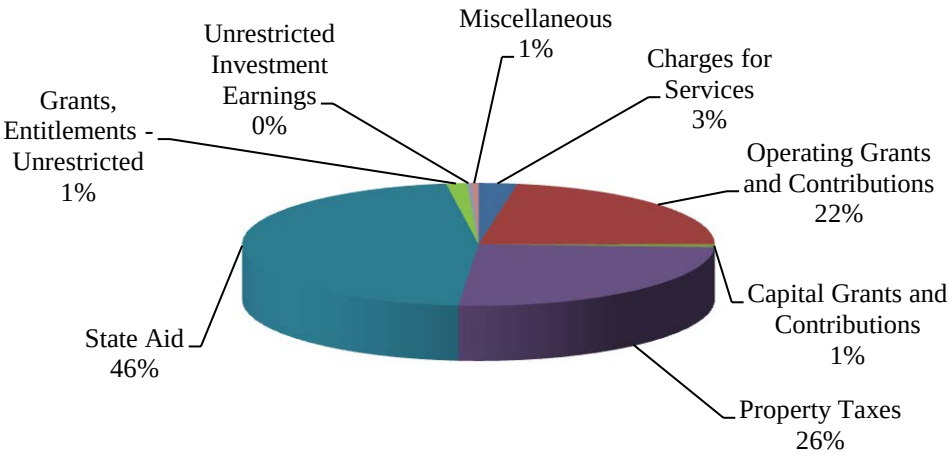
	Governmental Activities	
	2017	**2016**
Revenues:		
Program Revenues:		
Charges for services	$ 234,292	$ 151,735
Operating grants and contributions	1,984,822	2,248,923
Capital grants and contributions	72,315	116,337
Total Program Revenues	2,291,429	2,516,995
General Revenues:		
Property taxes levied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

(Continued)

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

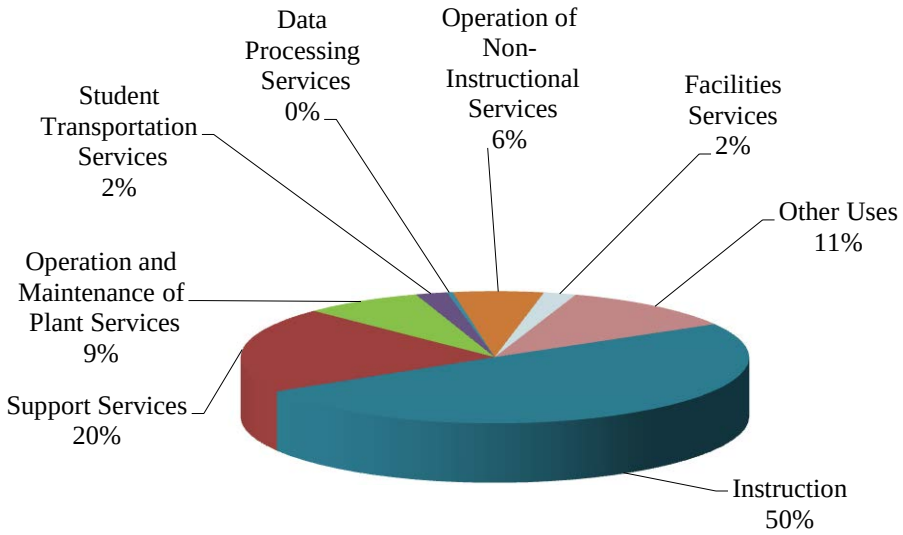
The following graph shows that state aid, property taxes, and operating grants and contributions are the main revenue sources of the District.

Revenues by Source
Year Ended June 30, 2017



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

Expenses
Year Ended June 30, 2017



(Continued)

Financial Analysis of the Governmental Funds

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

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

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

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

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

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

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

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

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

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

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

General Fund Budgetary Highlights

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

Modified Final Budget vs. Original Final Budget

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

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

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

Actual vs. Modified Final Budget

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

reverse auction, higher miscellaneous income of $14.9 million mostly from the PERS and PARS contribution reconciliation, and increased interest income of $7.8 million due to higher cash balance and higher rate.

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

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

Capital Assets and Debt Administration

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

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

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

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

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

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

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

(Continued)

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

Long-Term Credit Ratings

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

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

State statutes limit the issuance of general obligation bond debt by a unified school district if the outstanding general obligation bonds are more than 2.5% of its total taxable property. The debt limitation for the District as of June 30, 2017 is $15.1 billion, which is in excess of the District's outstanding general obligation bond debt.

Additional information on the District's long-term obligations can be found in Notes 11 and 12 on pages 65-70 of this report.

Requests for Information

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

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

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

See accompanying notes to basic financial statements.

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

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

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

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

See accompanying notes to basic financial statements.

LOS ANGELES UNIFIED SCHOOL DISTRICT
Balance Sheet
Governmental Funds
June 30, 2017
(in thousands)

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

See accompanying notes to basic financial statements.

LOS ANGELES UNIFIED SCHOOL DISTRICT
Reconciliation of the Governmental Funds Balance Sheet
to the Statement of Net Position
June 30, 2017
(in thousands)

Total Fund Balances – Governmental Funds	$ 4,061,039
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. The cost of the assets is $22,000,501 and the accumulated depreciation is $7,660,563.	14,339,938
Property taxes receivable will be collected this year, but are not available soon enough to pay the current period's expenditures and therefore are unearned in the funds.	75,828
Federal subsidies for debt service expenditures are recognized in the governmental funds only when the corresponding interest expenditure is recognized.	34,476
Receivables that will be collected in the following year and thereafter are not available soon enough to pay the current period's expenditures and therefore are not reported in the governmental funds.	21,368
An internal service fund is used by the District's management to charge the costs of health and welfare, workers' compensation and liability self-insurance premiums and claims to the individual funds. The assets and liabilities of the internal service funds are included in the governmental activities.	327,465
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the governmental funds.	(18,638,691)
Deferred outflow/inflow of resources – refunding charges are not reported in the governmental funds.	88,400
Proportionate share of net pension liability and related deferred inflow/outflow of resources are not reported in the governmental funds.	(5,407,955)
Total Net Position – Governmental Activities	$ (5,098,132)

See accompanying notes to basic financial statements.

LOS ANGELES UNIFIED SCHOOL DISTRICT
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
Year Ended June 30, 2017
(in thousands)

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

See accompanying notes to basic financial statements.

LOS ANGELES UNIFIED SCHOOL DISTRICT
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures,
and Changes in Fund Balances to the Statement of Activities
Year Ended June 30, 2017
(in thousands)

Net Changes in Fund Balances – Governmental Funds	$	81,453
Amounts reported for governmental activities in the statement of activities are different because:		
Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.		(200,951)
Some of the capital assets acquired this year were financed with capital leases. The amount financed is reported in the governmental funds as a source of financing. On the other hand, the proceeds are not revenues in the statement of activities, but rather, constitute long-term liabilities in the statement of net position.		(296)
Proceeds of new debt and repayment of debt principal are reported as other financing sources and uses in the governmental funds, but constitute additions and reductions to liabilities in the statement of net position.		726,679
Premiums, discounts, refunding charges and issuance costs are reported as other financing sources and uses in the governmental funds, but constitute additions and reductions to liabilities in the statement of net position.		(309,119)
Because some property taxes will not be collected for several months after the District's fiscal year ends, they are not considered “available” revenues for this year.		6,249
In the statement of activities, compensated absences and other retirement benefits are measured by the amounts the employees earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid).		2,255
Interest on long-term debt in the statement of activities differs from the amount reported in the governmental fund because interest is recognized as an expenditure in the funds when it is due, and thus requires the use of financial resources. In the statement of activities, however, interest expense is recognized as interest accrues, regardless of when it is due.		62,052
Some expenses, including legal settlements and rebatable arbitrage, are recognized in the government wide statements as soon as the underlying event has occurred but not until due and payable in the governmental funds.		(583)
OPEB expenditures are recorded in the governmental funds to the extent of amounts actually funded. In the statement of activities, however, the expense is recorded for the full amount of the accrual-basis annual OPEB cost.		(798,245)
An internal service fund is used by the District's management to charge the costs of health and welfare, workers’ compensation and liability self-insurance premiums and claims to the individual funds. The net revenue of the internal service fund is reported with governmental activities.		10,129
Legal settlement gains are recognized in the government wide statements as soon as the underlying event has occurred but not until collected in the governmental funds.		(3,559)
Federal subsidies for debt interest payments are recognized in the government wide statement as soon as it is earned. In the governmental funds, it is recorded when the corresponding interest expenditure is recognized.		(37)
Adoption of GASB 68 recognizes actuarial pension expense in the government wide statements and reclassify actual pension contribution in the current year as deferred outflow of resources.		(88,649)
Change in Net Position of Governmental Activities	$	(512,622)

See accompanying notes to basic financial statements.

LOS ANGELES UNIFIED SCHOOL DISTRICT
Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual
General Fund
Year Ended June 30, 2017
(in thousands)

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

See accompanying notes to basic financial statements.

LOS ANGELES UNIFIED SCHOOL DISTRICT
Statement of Net Position
Proprietary Funds
Governmental Activities – Internal Service Funds
June 30, 2017
(in thousands)

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

See accompanying notes to basic financial statements.

LOS ANGELES UNIFIED SCHOOL DISTRICT
Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Funds
Governmental Activities – Internal Service Funds
Year Ended June 30, 2017
(in thousands)

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

See accompanying notes to basic financial statements.

LOS ANGELES UNIFIED SCHOOL DISTRICT
Statement of Cash Flows
Proprietary Funds
Governmental Activities – Internal Service Funds
Year Ended June 30, 2017
(in thousands)

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

See accompanying notes to basic financial statements.

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

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

See accompanying notes to basic financial statements.

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

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

See accompanying notes to basic financial statements.

(1) Summary of Significant Accounting Policies

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

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

(a) Reporting Entity

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

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

Blended Component Units

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

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

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

(b) Government-wide and Fund Financial Statements

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

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

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

(c) Measurement Focus and Basis of Accounting

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

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

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

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

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

(d) Financial Statement Presentation

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

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

(e) Fund Accounting

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

Major Governmental Funds

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

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

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

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

Other Governmental Funds

The District has the following nonmajor governmental funds:

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

Debt Service Funds – Debt Service Funds are used to account for all financial resources that are restricted, committed, or assigned to expenditures for the repayment of general long-term debt principal and interest. The District maintains the following nonmajor Debt Service Funds: Tax Override and Capital Services. The Bond Interest and Redemption Fund is reported separately as a major fund in fiscal year 2016-17.

Capital Projects Funds – Capital Projects Funds are used to account for all financial resources that are restricted, committed, or assigned to expenditures for the acquisition or construction of major capital facilities and equipment other than those financed by the General and Special Revenue Funds. The District maintains the following nonmajor Capital Projects Funds: Building, Capital Facilities Account, State School Building Lease-Purchase, County School Facilities Bonds, Special Reserve, Special Reserve – FEMA-Earthquake, Special Reserve – FEMA-Hazard Mitigation, and Special Reserve – Community Redevelopment Agency. The District Bonds Fund (BB Bonds, Measure K, Measure R, Measure Y, and Measure Q) is reported separately as a major fund in fiscal year 2016-17.

Proprietary Funds

The District has the following Proprietary Funds:

Internal Service Funds – Internal Service Funds are used to account for all financial resources intended to provide self-insurance services to other operating funds of the District on a cost-reimbursement basis. The District maintains the following Internal Service Funds: Health and

Welfare Benefits, Workers' Compensation Self-Insurance, and Liability Self-Insurance. The Health and Welfare Benefits Fund was established to pay for claims, administrative costs, insurance premiums, and related expenditures; the Workers' Compensation Self-Insurance Fund and the Liability Self-Insurance Fund were established to pay for claims, excess insurance coverage, administrative costs, and related expenditures.

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

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

Fiduciary Funds

The District has the following Fiduciary Funds:

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

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

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

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

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

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

(f) Budgetary Control and Encumbrances

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

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

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

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

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

(g) Cash and Investments

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

In accordance with State Education Code Section 41001, the District deposits virtually all of its cash with the Treasurer of the County of Los Angeles. The District's deposits, along with funds from

other local agencies such as the county government, other school districts, and special districts, make up a pool, which the County Treasurer manages for investment purposes. Earnings from the pooled investments are allocated to participating funds based on average investment in the pool during the allocation period.

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

(h) Short-term Interfund Receivables/Payables

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

(i) Inventories

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

(j) Capital Assets

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

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

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

Assets	Years
Buildings	50
Portable buildings	20
Building improvements	20
Improvement of sites	20
Furniture and fixtures	20
Playground equipment	20
Food services equipment	15
Transportation equipment	15
Telephone system	10
Reprographics equipment	10
Broadcasting equipment	10
Vehicles	8
Computer system and equipment	5
Office equipment	5

(k) Contracts Payable

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

(l) Compensated Absences

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

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

(m) Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net

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

(n) Long-term Obligations

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

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

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

LCFF sources are the basic financial support for District activities. The District's LCFF is received from a combination of local property taxes, EPA, and state apportionments. For the fiscal year 2016-17, the District received $1,201.1 million of local property taxes, $655.9 million of EPA, and $3,590.5 million of State aid.

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

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

and April 10, respectively. Property taxes on the unsecured roll are due on the lien date (March 1), and become delinquent if unpaid by August 31.

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

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

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

(p) Estimates

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

(2) Tax and Revenue Anticipation Notes

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

The District did not issue TRANs in fiscal years 2013-14 through 2016-17 owing to a combination of the State increasing its funding of school districts and reducing or eliminating its cash deferrals.

(3) Reconciliation of Government-wide and Fund Financial Statements

(a) Explanation of Certain Differences Between the Governmental Fund Balance Sheet and the Government-wide Statement of Net Position

The accompanying governmental fund balance sheet includes reconciliation between *total fund balances – governmental funds* and *net position – governmental activities* as reported in the government-wide statement of net position. One element of that reconciliation explains that "long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the governmental funds." The details of the $18,638,691 difference are as follows (in thousands):

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

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

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

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

Another element of that reconciliation states that "Proceeds of new debt and repayment of debt principal are reported as other financing sources and uses in the governmental funds, but constitute additions and reductions to liabilities in the statement of net position." The details of this $726,679 difference are as follows (in thousands):

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

(4) Budgetary Appropriation Amendments

During the fiscal year, modifications were necessary to increase appropriations for expenditures and other financing uses for the General Fund by $224.2 million.

(5) Cash and Investments

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

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

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

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

(Continued)

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

School districts are required by Education Code Section 41001 to deposit their funds with the county treasury. Cash in county treasury refers to the fair value of the District's share of the Los Angeles County (County) Pooled Surplus Investment (PSI) Fund.

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

	Authorized Investment Type	Maximum Maturity	Maximum Total Par Value	Maximum Par Value per Issuer
A.	Obligations of the U.S. government, its agencies and instrumentalities	None	None	None
B.	Approved Municipal Obligations	5 to 30 years	10% of PSI portfolio	None
C.	Asset-Backed Securities with highest ratings	5 years	20% of PSI portfolio	with credit rating limits
D.	Bankers' Acceptances Domestic and Foreign	180 days	40% of PSI portfolio	with credit rating limits
E.	Negotiable Certificates of Deposits – Domestic	3 years	30% of PSI portfolio	with credit rating limits
	Negotiable Certificates of Deposits – Euro	1 year	10% of PSI portfolio	with credit rating limits
F.	Corporate and Depository Notes	3 years	30% of PSI portfolio	with credit rating limits
G.	Floating Rate Notes	7 years	10% of PSI portfolio	with credit rating limits
H.	Commercial Paper of "prime" quality of the highest ranking or of the highest letter or number ranking as provided for by a nationally recognized statistical-rating organization (NRSRO)	270 days	40% of PSI portfolio	Lesser of 10% of PSI portfolio or credit rating limits
I.	Shares of Beneficial Interest	None	15% of PSI portfolio with no more than 10% in any one fund	None
J.	Repurchase Agreement	30 days	$1.0 billion	$500 million/dealer
K.	Reverse Repurchase Agreement	1 year	$500 million	$250 million/broker
L.	Forwards, Futures and Options	90 days	$100 million	$50 million/counterparty
M.	Interest-Rate Swaps in conjunction with approved bonds and limited to highest credit rating categories	None	None	None
N.	Securities Lending Agreement	180 days	20% of base portfolio value (combined total value of reverse purchase agreements and securities lending)	None
O.	Supranationals in accordance with Gov. Code 53601(q)	5 years	30% of PSI portfolio	with credit rating limits

(Continued)

Interest-rate risk is the risk involved with fluctuations of interest rates that may adversely affect the fair value of the investments. The County's investment guidelines target the weighted average maturity of its portfolio to a range between 1.0 and 2.0 years. As of June 30, 2017, 47.59% of district funds in the County PSI Fund does not exceed one year. In addition, variable-rate notes that comprised 1.03% of the County PSI Fund and other investments portfolio are tied to periodic coupon resets eliminating interest-rate risk by repricing back to par value at each reset date.

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

Concentration of credit risk means the risk of loss attributed to the magnitude of an investment in a single issuer. For District funds in the County pool, the County's investment policy has concentration limits that provide sufficient diversification. As of June 30, 2017, the County exceeded the limit on investments with maturities in excess of one year by $836.7 million but the County pool stayed within other liquidity measurements.

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

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

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

(6) Receivables/Payables

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

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

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

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

(Continued)

(7) Capital Assets

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

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

(Continued)

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

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

(8) Deferred Outflows and Inflows of Resources

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

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

(9) Retirement, Termination and Other Postemployment Benefit Plans

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

Retirement Plans

Qualified District employees are covered under either multiple-employer defined benefit retirement plans maintained by agencies of the State of California, or a multiple-employer defined contribution retirement benefit plan administered under a Trust. The retirement plans maintained by the State are 1) the California Public Employees' Retirement System (CalPERS), 2) the California State Teachers' Retirement System (CalSTRS), and 3) the Public Agency Retirement (PARS) which is administered under a Trust. In general, certificated employees are members of CalSTRS and classified employees are members of CalPERS.

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

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

Safety Plan

Plan Description and Benefits Provided

The District contributes to an agent multiple-employer plan for Safety, the Public Employees' Retirement Fund (PERF) – Safety Plan, a defined benefit pension plan administered by CalPERS. The plan provides service retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full time employment. Benefit provisions are established by state statutes, as legislatively amended, within the California Public Employees' Retirement Law.

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

	Safety	
Hiring date	Prior to January 1, 2013	On or after January 1, 2013
Benefit formula	3% @ 50	2.7% @ 57
Benefit vesting schedule	5 years service	5 years service
Benefit payments	monthly for life	monthly for life
Retirement age: minimum	50	57
Monthly benefit, as a % of eligible compensation	3.0%	2.70%
Required employee contribution rates	9.00%	12.75%
Required employer contribution rates	34.384%	34.384%

Employees Covered

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

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

Contributions

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on July 1 following notice of a change in the rate. The total plan contributions are determined through CalPERS' annual actuarial valuation process. The actuarially determined rate is

the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The employer is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. Employer contribution rates may change if plan contracts are amended.

For the year ended June 30, 2017, the contributions to the Safety Plan amounted to $11.4 million.

Net Pension Liability

The District's net pension liability for the Safety Plan of $102.2 million at June 30, 2017 is measured as the total pension liability, less the pension plan's fiduciary net position. The net pension liability of the Safety Plan is measured as of June 30, 2016, using an annual actuarial valuation as of June 30, 2015 rolled forward to June 30, 2016 using standard update procedures. A summary of principal assumptions and methods used to determine the net pension liability of the Safety Plan is shown below.

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

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

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

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

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

Change of Assumptions

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

Discount Rate

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

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

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

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

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

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

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

Changes in the Net Pension Liability

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

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

(Continued)

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

The following presents the District's net pension liability for the Safety plan as of the measurement date, calculated using the discount rate of 7.65%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.65%) or 1-percentage-point higher (8.65%) than the current rate (in thousands):

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

Pension Plan Fiduciary Net Position

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

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

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

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

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

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

The $11.4 million reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2018. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in future pension expense as follows (in thousands):

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

Payable to the Pension Plan

The District's contribution for all members to the Safety Plan for the fiscal year ended June 30, 2017 was in accordance with the required contribution rate calculated by the CalPERS actuary. Hence, no payable to the pension plan is recognized for the fiscal year ended June 30, 2017.

Miscellaneous Plan

Plan Description and Benefits Provided

The District contributes to a cost-sharing multiple-employer plan, the Public Employees' Retirement Fund (PERF) Miscellaneous Plan, a defined benefit pension plan administered by CalPERS. The plan provides service retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full time employment. Benefit provisions are established by state statutes, as legislatively amended, within the Public Employees' Retirement Law.

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

	Miscellaneous	
Hiring date	Prior to January 1, 2013	On or after January 1, 2013
Benefit formula	2.0% @ 55	2.0% @ 62
Benefit vesting schedule	5 years service	5 years service
Benefit payments	monthly for life	monthly for life
Retirement age: Minimum	50	52
Monthly benefit, as a % of eligible compensation	1.10%	1.00%
Required employee contribution rates	7.00%	6.00%
Required employer contribution rates	13.888%	13.888%

Contributions

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on July 1 following notice of a change in the rate. The total plan contributions are determined through CalPERS' annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The employer is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. Employer contribution rates may change if plan contracts are amended.

For the year ended June 30, 2017, the contributions to the Miscellaneous Plan amounted to $144.5 million.

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

At June 30, 2017, the District reported a net pension liability of $1.6 billion for its proportionate share of the net pension liability of the Miscellaneous Plan. The net pension liability of the Miscellaneous Plan was measured as of June 30, 2016, and the total pension liability for the Miscellaneous Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2015 rolled forward to June 30, 2016 using standard update procedures. The District's proportion of the net pension liability was based on the 2015-16 fiscal year employer contributions calculated by CalPERS. At June 30, 2016, the District's proportion was 8.3405%.

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

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

The $144.5 million reported as deferred outflows of resources related to District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2018. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in future pension expense as follows (in thousands):

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

(Continued)

Actuarial Methods and Assumptions

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

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

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

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

Change of Assumptions

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

Discount Rate

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

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

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

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

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

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

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

(Continued)

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

The following presents the District's proportionate share of the net pension liability for the Miscellaneous plan as of the measurement date, calculated using the discount rate of 7.65%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.65%) or 1-percentage-point higher (8.65%) than the current rate (in thousands):

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

Pension Plan Fiduciary Net Position

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

Payable to the Pension Plan

The District's contribution for all members to the Miscellaneous Plan for the fiscal year ended June 30, 2017 was in accordance with the required contribution rate calculated by the CalPERS actuary. Hence, no payable to the pension plan is recognized for the fiscal year ended June 30, 2017.

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

Plan Description and Benefits Provided

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

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

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

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

Contributions

The District is required to contribute based on an actuarially determined rate using the entry age normal actuarial cost method. The actuarial methods and assumptions used for determining the rate are those adopted by the CalSTRS Teachers' Retirement Board. Required member, employer and state contribution rates are set the by the California Legislature and Governor and detailed in Teachers' Retirement Law. Both the member and employer contributions are set as a percentage of employees' earnings.

Assembly Bill (AB 1469) enacted in Chapter 47, Statutes of 2014 is projected to fully fund the CalSTRS Defined Benefit (DB) Program in 32 years through shared contribution among CalSTRS members, employers and State of California. Contribution increases will be phased in over several years with the first increases taking effect on July 1, 2014. Member contribution increases will be phased in over the next three years and increase by an additional 2.25% of payroll for CalSTRS 2% at 60 members and an additional 1.205% for CalSTRS 2% at 62 members. Employer contributions will increase from 8.25% to a total of 19.1%, phased in over the next seven years. State contributions will increase over the next three years to a total of 6.328%. AB1469 grants the Teachers Retirement Board limited rate setting authority to adjust up or down state and employer contribution rates.

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

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

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

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

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

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

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

(Continued)

Actuarial Methods and Assumptions

The total pension liability for the CalSTRS' TRF was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2015, and rolling forward the total pension liability to June 30, 2016. The financial reporting actuarial valuation as of June 30, 2015, used the following actuarial methods and assumptions, applied to all prior periods included in the measurement:

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

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

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

Discount Rate

The discount rate used to measure the total pension liability of the CalSTRS' TRF was 7.60%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at statutory contribution rates. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (7.60%) and assuming that contributions, benefit payments, and administrative expense occur midyear. Based on those assumptions, the CalSTRS' TRF fiduciary net pension was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term assumed investment rate of return, gross of administrative expenses, was applied to all periods of projected benefit payments to determine the total pension liability.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. The best estimate ranges were developed using capital market assumptions from CalSTRS general investment consultant (Pension Consulting Alliance - PCA) as an input to the process. The actuarial investment rate of return assumption was adopted by the Board in 2012 in conjunction with the most recent experience study. For each future valuation, CalSTRS consulting actuary (Milliman) reviews the return assumption for reasonableness based on the most current capital market assumptions. Best

estimates of 20-year geometric real rates of return and the assumed asset allocation for each major asset class for the year ended June 30, 2016, are summarized in the following table:

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

* 20-year geometric average

Differences between expected and actual experience and changes in assumptions are amortized over a closed period equal to the average remaining service life of plan members, which is 7 years as of June 30, 2016. Deferred outflows and inflows related to differences between projected and actual earrings on plan investments are netted and amortized over a closed 5-year period.

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

The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.6%, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.6%) or 1-percentage-point higher (8.6%) than the current rate (in thousands):

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

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued CalSTRS financial report. Copies of the CalSTRS annual financial report may be obtained from California State Teachers' Retirement System, P.O. Box 15275, Sacramento, CA 95851-0275.

(Continued)

Payable to the Pension Plan

The District's contribution for all members to the CalSTRS' TRF for the fiscal year ended June 30, 2017 was in accordance with the required contribution rate calculated by the CalSTRS actuary. Hence, no payable to the pension plan is recognized for the fiscal year ended June 30, 2017.

(c) Public Agency Retirement System (PARS)

Plan Description

The Omnibus Budget Reconciliation Act of 1990 requires state and local public agencies to provide a retirement plan for all employees not covered under existing employer pension plans and/or Social Security. These employees are primarily part-time, seasonal, and temporary employees (PSTs). This Act also requires that contributions for PSTs be vested immediately and permits any split of the minimum contributions between employee and employer.

On July 1, 1992, the District joined the PARS, a multiple-employer retirement trust established by a coalition of public employers. The plan covers the District's part-time, seasonal, temporary, and other employees not covered under CalPERS or CalSTRS, but whose salaries would otherwise be subject to Social Security tax. As of June 30, 2017, there are 37,001 District employees covered under PARS.

Benefit terms and other requirements are established by District management based on agreements with various bargaining units. PARS is a defined contribution qualified retirement plan under Section 401 (a) of the Internal Revenue Code.

The minimum total contribution is 7.5% of employees' salaries, of which the District and the employees contribute 3.75% each. For the year ended June 30, 2017, the District recognized pension expense of $6.8 million. The District does not have any forfeited amounts.

The District's contributions for all members for the fiscal years ended June 30, 2017, 2016, and 2015 were in accordance with the required contributions.

Employees are vested 100% in both employer and employee contributions from the date of membership. When separated from employment, all employees can choose to receive their funds in lump sum or leave it on deposit until the mandatory age of 70 ½ when they must get a distribution.

Postemployment Benefits – Health and Welfare for Retirees

Plan Description

The District administers a single-employer defined benefit healthcare plan. The plan provides other postemployment (health care) benefits in accordance with collective bargaining unit agreements and Board rules. Certificated and classified employees who retire from the District receiving a CalSTRS/CalPERS retirement allowance (for either age or disability) may be eligible to continue coverage under the

District-sponsored hospital/medical, dental, and vision plans which cover both active and retired members and their eligible dependents. The following are the eligibility requirements:

a. Those hired prior to March 11, 1984 must have served a minimum of five consecutive qualifying years immediately prior to retirement.

b. Those hired from March 11, 1984 through June 30, 1987 must have served a minimum of ten consecutive qualifying years immediately prior to retirement.

c. Those hired from July 1, 1987 through May 31, 1992 must have served a minimum of 15 consecutive qualifying years immediately prior to retirement, or served ten consecutive qualifying years immediately prior to retirement plus an additional previous ten years which are not consecutive.

d. Those hired from June 1, 1992 through February 28, 2007 must have at least 80 years combined total of qualifying service and age. For those employees that have a break in service, this must include 10 consecutive years immediately prior to retirement.

e. Those hired from March 1, 2007 through March 31, 2009 must have at least 80 years combined total of qualifying service and age. In addition, the employee must have 15 consecutive years of qualifying service immediately prior to retirement.

f. Those hired on or after April 1, 2009, except School Police, must have at least 85 years combined total of qualifying service and age. In addition, the employee must have a minimum of 25 consecutive years of qualifying service immediately prior to retirement.

g. School Police (sworn personnel) hired on or after April 1, 2009 must have at least 80 years combined total of qualifying service and age. In addition, the employee must have a minimum of 20 consecutive years of qualifying service immediately prior to retirement.

Qualifying years of service consist of school years in which an employee was in “paid status” for at least 100 full-time days and eligible for District-sponsored health care benefits.

In order to maintain coverage, the retirees must continue to receive a CalSTRS/CalPERS retirement allowance and retirees/spouses or domestic partners must enroll in those parts of Medicare for which they are eligible. Lack of Medicare does not impact dental or vision coverage. As of July 1, 2017, approximately 38,000 retirees now meet these eligibility requirements. The plan does not issue a separate financial report.

Funding Policy

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

Moreover, the District established in fiscal year 2013-14 an irrevocable other postemployment benefits (OPEB) trust with CalPERS – California Employers' Retiree Benefit Trust (CERBT) to address its fiscal obligation in relation to its OPEB liability. Contributions to the OPEB trust will be calculated annually and are governed by the District's Budget and Finance Policy wherein such contributions will be subject to maintaining an Unrestricted General Fund balance of 5% of the unrestricted revenue.

For fiscal year 2016-17, the District contributed a total of $342.8 million to the plan including $78 million contributed to the OPEB trust. The total contribution covers a portion of the normal cost of active employees and the amortization of past service costs for both actives and retirees based on an actuarially calculated valuation.

Healthcare Reform Act

The Patient Protection and Affordable Care Act and the Health Care and Education Reconciliation Act of 2010, collectively referred to as the Health Care Reform Act of 2010 ("The Act"), were signed into law in March 2010. The Act imposes a 40% excise tax on employers that carry "Cadillac healthcare plans" beginning in 2018. The tax is applied to the amount of premium in excess of stated single ($10,200) and family ($27,500) thresholds. The District's actuary considered the potential additional costs due to the reduced funding on Medicare Advantage Plans by the federal government and excise taxes on high cost plans and these are included in the actuary's valuation of liabilities.

Annual OPEB Cost and Net OPEB Obligation

The District's annual OPEB cost (expense) is calculated based on the *annual required contribution of the employer (ARC)*, an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

The following table shows the components of the District's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the District's net OPEB obligation to the plan (in thousands).

Annual required contribution	$ 1,119,554
Interest on net OPEB obligation	315,984
Adjustment to annual required contribution	(294,530)
Annual OPEB cost (expense)	1,141,008
Contributions made	(342,763)
Increase in net OPEB obligation	798,245
Net OPEB obligation – beginning of year	6,723,063
Net OPEB obligation – end of year	$ 7,521,308

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal years 2017, 2016, and 2015 were as follows (in thousands):

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2017	$ 1,141,008	30 %	$ 7,521,308
6/30/2016	1,090,749	31	6,723,063
6/30/2015	929,864	33	5,971,018

Funded Status and Funding Progress

As of July 1, 2015, the most recent actuarial valuation date, the actuarial accrued liability for benefits was $13.6 billion, and the actuarial value of assets was $90.2 million, resulting in an unfunded actuarial accrued liability (UAAL) of $13.5 billion. The covered payroll (annual payroll of active employees covered by the plan) was $3.7 billion, and the ratio of the UAAL to the covered payroll was 366%.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about the future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents information for the most recent actuarial valuation and in future years, multi-year trend information about whether the actuarial value of plan assets, if any, is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time

of each valuation and the historical pattern of sharing of benefit costs, as applicable, between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, if any, consistent with the long-term perspective of the calculations.

In the July 1, 2015 actuarial valuation, the actuarial method used in estimating the liability is the Level Percentage of Pay Entry Age Normal (EAN) cost method, which spreads plan costs for each participant from entry date (assuming the plan existed on the employee's hire date) to the expected retirement date. Under this EAN cost method, the plan's normal cost is developed as a level percentage of pay spread over the participants' working lifetime. The significant assumptions used in the computation include a 4.70% discount rate, inflation of 2.75% per annum, and healthcare cost trend rates in 2015 of 7.5% or 8.55% for non-Medicare advantage plans and 14.97% or 14.10% for Medicare advantage plans. The rate varies depending on the participants' choice of healthcare provider (i.e. Anthem Blue Cross, Kaiser, Health Net or UHC). Ultimately, the assumed rates decline to 5% across the board in 2025. A healthcare cost trend rate of 5% is assumed for dental and vision. The UAAL is being amortized as a level percentage of pay amortization amounts (assuming 3% annual increase) over a 30-year open amortization period.

(10) Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors or omissions; job-related illness or injury to employees; and natural disasters. The District has established several self-insurance funds (Internal Service Funds) as follows: the Workers' Compensation Self-Insurance Fund, the Liability Self-Insurance Fund, and the Health and Welfare Benefits Fund. These funds account for the uninsured risk of loss and pay for insurance premiums, management fees, and related expenses. The District is self-insured for its Workers' Compensation Insurance Program and partially self-insured for the Health and Welfare and Liability Insurance Programs. Premium payments to Health Maintenance Organizations for medical benefits and to outside carriers for vision services, dental services, and optional life insurance are paid out of the Health and Welfare Benefits Fund.

Excess insurance has been purchased for physical property loss damages, which currently provides $1 billion limit above a $500,000 self-insurance retention. Excess insurance has been purchased for general liability, which currently provides $35 million limit above a $5 million self-insurance retention. No settlements exceeded insurance coverage in the last five fiscal years that ended June 30, 2017.

The District has implemented an Owner Controlled Insurance Program (OCIP) covering new construction and renovation projects funded by school bonds. Under an OCIP, the District provides general liability and workers' compensation insurance coverage for construction contractors. Because contractors remove insurance costs from their bids, potential savings accrue to the District. Under the District's OCIP program, workers' compensation coverage with statutory limits and primary general liability and excess liability coverage with limits of $100 million have been underwritten by seven major insurance carriers.

The District has also purchased contractors' pollution liability insurance coverage for the construction program. The policy protects contractors and the District from losses resulting from pollution liability related incidents occurring during construction. The policy provides optional coverage to ensure that site cleanup cost overruns are not borne by the District. The limits of coverage on the cleanup cost-cap policy are variable by specific project. The total limit available on the other policies is $50 million.

Liabilities for loss and loss adjustment expenses under school operations workers' compensation and general liability are based on the estimated present value of the ultimate cost of settling the claims including the accumulation of estimates for losses reported prior to the balance sheet date, estimates of losses incurred but not reported, and estimates of expenses for investigating and adjusting reported and unreported losses. Such liabilities are estimates of the future expected settlements and are based upon analysis of historical patterns of the number of incurred claims and their values. Individual reserves are continuously monitored and reviewed and as settlements are made, or reserves adjusted, differences are reflected in current operations.

As of June 30, 2017, the amount of the total claims liabilities recorded for health and welfare, workers' compensation, and liability self-insurance was $651.0 million. The increase in the Health and Welfare Benefits Fund is mainly attributed to the rise of medical claims utilization. The increase in the Workers' Compensation Liability Fund is primarily due to an increase in frequency and severity of new claims. The decrease in the Liability Self-Insurance Fund is mainly due to the payment of large outstanding claims from prior fiscal years. Changes in the reported liabilities since July 1, 2015 are summarized as follows (in thousands):

	Beginning of Fiscal Year Liability	Current Year Claims and Changes in Estimates	Claim Payments	End of Fiscal Year Liability
2016-2017				
Health and welfare benefits	$ 21,399	$ 248,750	$ (247,242)	$ 22,907
Workers' compensation self-insurance	492,387	104,385	(101,124)	495,648
Liability self-insurance	213,758	36,680	(118,030)	132,408
Total	$ 727,544	$ 389,815	$ (466,396)	$ 650,963
2015-2016				
Health and welfare benefits	$ 23,306	$ 256,346	$ (258,253)	$ 21,399
Workers' compensation self-insurance	484,091	110,766	(102,470)	492,387
Liability self-insurance	213,313	165,643	(165,198)	213,758
Total	$ 720,710	$ 532,755	$ (525,921)	$ 727,544

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

The District has entered into Certificates of Participation (COPs) for the acquisition of the new administration building, warehouse, school sites, relocatable classroom buildings, furniture and equipment; modernization, rehabilitation and repair of certain facilities; replacement of the legacy financial and procurement systems; and automation of certain business processes. The COPs outstanding as of June 30, 2017 are as follows (in thousands):

COP Issue	Sale Date	Original Principal Amount	Outstanding June 30, 2017	Interest Rates to Maturity Min	Interest Rates to Maturity Max	Final Maturity
2005 Qualified Zone Academy Bonds	12/13/2005	$ 10,000	$ 10,000	N/A	N/A	2020
2007A Information Technology Projects	11/15/2007	99,660	8,215	5.000 %	5.000 %	2017
2010A Multiple Properties Project	1/27/2010	69,685	16,480	4.000	5.000	2017
2010B-1 Federally Taxable Direct Pay Build America Bonds, Capital Projects I	12/21/2010	21,615	21,615	7.663 (a)	8.525 (a)	2035
2010B-2 Tax-Exempt, Captial Projects I	12/21/2010	61,730	27,530	4.000	5.750	2020
2012A Refunding Headquarters Building Projects	6/12/2012	87,845	61,810	3.750	5.000	2031
2012B Refunding Headquarters Building Projects	6/12/2012	72,345	70,600	2.125	5.000	2031
2013A Refunding Lease	6/24/2013	24,780	19,260	2.290	2.290	2028
			$ 235,510 *			

* The total amount shown above excludes net unamortized premium of $7.7 million.

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

In prior years, the District defeased certain principal amounts of its COPs and refunding COPs by placing proceeds of refunding COPs and general obligation bonds into irrevocable escrow funds to provide for all future debt service payments on the refunded and defeased COPs and refunding COPs. Accordingly, the escrow account assets and the liability for the defeased COPs are not included in the District's financial statements. As of June 30, 2017, $3.9 million of the defeased COPs are still outstanding.

In prior years, the District defeased certain sinking fund payments for its 2005 Certificates of Participation (Qualified Zone Academy Bonds) by placing proceeds of general obligation bonds, interest earnings on all said deposits and interest earnings on forward delivery agreements into the sinking fund account held by the trustee to provide for the payment of the 2005 Certificates of Participation (Qualified Zone Academy Bonds) at maturity. While the District's financial statements indicate that the full principal amount of the 2005 Certificates of Participation (Qualified Zone Academy Bonds) are outstanding as of June 30, 2017, a total of $7.4 million of accumulated sinking fund payments have been made, which reflects the portion of the COPs that are considered economically defeased.

Other Leasing Arrangements

The District has entered into various lease agreements ranging from three to five years to finance the acquisition of office and transportation equipment. These lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of their future minimum lease payments as of the inception date. The future minimum lease payments (principal plus interest) and the

net present value of these minimum lease payments (principal only) are detailed in Note 12 – Long-Term Obligations.

The District's operating leases consist of various leased facilities. The leased facilities have varying terms ranging from five years to 80 years. Some leases are month to month. The leases expire over the next 66 years subject to renewal option provisions.

The total expenditure for all operating leases amounted to $7.8 million in fiscal year 2016-17. The future minimum commitments for noncancelable operating lease of the District as of June 30, 2017 are as follows (in thousands):

Fiscal year ending	Amount
2018	$ 7,111
2019	4,746
2020	4,618
2021	2,813
2022	2,182
2023-2027	10,704
2028-2032	10,403
2033-2037	11,843
2038-2042	11,599
2043-2047	9,766
2048-2052	10,523
2053-2057	11,618
2058-2062	12,827
2063-2067	14,162
2068-2072	15,636
2073-2077	17,263
2078-2082	19,060
2083-2087	1,453
	$ 178,327

(Continued)

(12) Long-Term Obligations

The following is a summary of changes in long-term obligations for the year ended June 30, 2017 (in thousands):

	Balance, July 1, 2016	Additions	Deductions	Other Changes**	Balance, June 30, 2017	Due Within One Year	Interest Expense
General Obligation Bonds*	$ 10,964,007	$ 1,581,685	$ 2,224,190	$ 198,775	$ 10,520,277	$ 526,541	$ 416,765
Certificates of Participation (Note 11)*	275,755	–	30,621	(1,915)	243,219	41,026	10,379
Capital Lease Obligations	1,367	296	658	–	1,005	411	50
Children Center Facilities Revolving Loan	396	–	80	–	316	79	–
Liability for Compensated Absences	70,555	74,376	74,266	–	70,665	344	–
Liability for Other Employee Benefits	55,515	3,347	6,611	–	52,251	1,907	–
Self-Insurance Claims (Note 10)	727,544	389,815	466,396	–	650,963	207,251	–
Net Pension Liability	5,346,427	923,440	–	–	6,269,867	–	–
Other Postemployment Benefits	6,723,063	1,141,008	342,763	–	7,521,308	–	–
Arbitrage Payable	–	583	–	–	583	–	–
Total	$ 24,164,629	$ 4,114,550	$ 3,145,585	$ 196,860	$ 25,330,454	$ 777,559	$ 427,194

* The amounts shown above include unamortized premiums and discounts.

** Premium on bonds and premium and discount amortization.

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

Year Ending June 30	General Obligation Bonds		Capital Lease Obligations/ Certificates of Participation		Other Loans	Total	
	Principal	Interest	Principal	Interest	Principal	Principal	Interest
2018	$ 413,405	$ 471,644	$ 39,946	$ 10,436	$ 79	$ 453,430	$ 482,080
2019	404,675	473,383	15,756	9,096	79	420,510	482,479
2020	385,640	453,869	16,344	8,306	79	402,063	462,175
2021	407,680	434,891	26,859	7,498	79	434,618	442,389
2022	432,655	414,881	10,715	6,829	—	443,370	421,710
2023-2027	3,070,130	1,721,803	56,355	26,172	—	3,126,485	1,747,975
2028-2032	2,493,195	983,301	63,030	11,340	—	2,556,225	994,641
2033-2037	2,047,655	231,649	7,510	1,266	—	2,055,165	232,915
2038-2041	160,075	14,950	—	—	—	160,075	14,950
	$ 9,815,110	$ 5,200,371	$ 236,515	$ 80,943	$ 316	$ 10,051,941	$ 5,281,314

(Continued)

The General Obligation (GO) Bonds outstanding balance as of June 30, 2017 consists of the following (in thousands):

Bond Issue	Sale Date	Original Principal Amount	Outstanding June 30, 2017	Interest Rates to Maturity Min	Interest Rates to Maturity Max	Final Maturity
2002 Refunding	4/17/2002	$ 258,375	$ 15,215	5.75%	5.75%	2017
2005A-1 Refunding	7/20/2005	346,750	71,850	5.50	5.50	2018
2005A-2 Refunding	7/20/2005	120,925	14,790	5.50	5.50	2018
2007A-1 Refunding	1/31/2007	1,153,195	4,225	4.00	4.00	2017
Election of 2002, B (2007)	2/22/2007	500,000	17,510	4.00	5.00	2017
Election of 2002, C (2007)	8/16/2007	150,000	4,840	4.00	4.00	2017
Election of 2004, H (2007)	8/16/2007	550,000	17,560	5.00	5.00	2017
Election of 2005, E (2007)	8/16/2007	300,000	9,700	5.00	5.00	2017
Election of 2002, D (2009)	2/19/2009	250,000	200,950	4.00	5.30	2034
Election of 2004, I (2009)	2/19/2009	550,000	434,655	5.00	5.25	2034
Election of 2005, F (2009)	2/19/2009	150,000	120,905	3.60	5.25	2034
KRY (2009-BAB)	10/15/2009	1,369,800	1,369,800	5.75 (a)	5.76 (a)	2034
KRY (2009-TE)	10/15/2009	205,785	51,535	4.00	5.00	2020
2009A Refunding	10/15/2009	74,765	24,095	4.00	5.00	2019
Election of 2005, H (2009)	10/15/2009	318,800	318,800	1.54	1.54	2025
KRY (2010-TE)	3/4/2010	478,575	432,865	4.00	5.25	2034
RY (2010-BAB)	3/4/2010	1,250,585	1,250,585	6.76 (a)	6.76 (a)	2034
KY (2010)	5/6/2010	159,495	29,100	3.00	5.00	2018
Election of 2005, J-1 (2010)	5/6/2010	190,195	190,195	5.98	5.98	2027
Election of 2005, J-2 (2010)	5/6/2010	100,000	100,000	5.72	5.72	2027
2011A-1 Refunding	11/1/2011	206,735	146,935	3.00	5.00	2024
2011A-2 Refunding	11/1/2011	201,070	146,930	4.00	5.00	2023
2012A Refunding	5/8/2012	156,000	139,510	2.00	5.00	2028
2014A Refunding	6/26/2014	196,850	142,415	5.00	5.00	2022
2014B Refunding	6/26/2014	323,170	323,170	5.00	5.00	2026
2014C Refunding	6/26/2014	948,795	934,275	2.00	5.00	2031
2014D Refunding	6/26/2014	153,385	153,385	5.00	5.00	2030
Election of 2004, J (2014)	8/19/2014	68,170	12,285	5.00	5.00	2017
Election of 2005, K (2014)	8/19/2014	35,465	14,480	1.00	5.00	2020
Election of 2004, K (2014)	8/19/2014	7,045	1,235	1.10	1.10	2017
Election of 2005, L (2014)	8/19/2014	25,150	4,410	1.10	1.10	2017
2015A Refunding	5/28/2015	326,045	318,085	5.00	5.00	2025
Election of 2008, A (2016)	4/5/2016	648,955	648,955	3.00	5.00	2040
2016A Refunding	4/5/2016	577,400	568,180	3.00	5.00	2030
2016B Refunding	9/15/2016	500,855	500,855	2.00	5.00	2032
2017A Refunding	5/25/2017	1,080,830	1,080,830	2.00	5.00	2027
			$ 9,815,110 *			

* The total amount shown above excludes unamortized premium and discount of $705.2 million.

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

On September 15, 2016, the District issued $500.9 million of 2016 General Obligation Refunding Bonds, Series B to advance refund the callable portion of the outstanding General Obligation Bonds Election of 2002, Series B (2007), General Obligation Bonds Election of 2002, Series C (2007), General Obligation

Bonds Election of 2004, Series H (2007) and General Obligation Bonds Election of 2005, Series E (2007). These refunded bonds have an aggregate par amount of $563.0 million. The Refunding Bonds received underlying ratings of "Aa2", "AAA" and "AA+" from Moody's, Fitch and KBRA, respectively. The refunding generated gross savings of $166.5 million. Net present value savings were $140.2 million or 24.90% of the refunded par amount.

On May 25, 2017, the District issued $1,081.8 million of 2017 General Obligation Refunding Bonds, Series A to refund, on a current basis and defease a portion of the Measure K 2007 Refunding Bonds, Series 2007 A-1, Proposition BB 2007 Refunding Bonds, Series A-2 and Series B. These refunded bonds have an aggregate par amount of $1,271.2 million. The Refunding Bonds were sold by negotiated sale with underlying ratings of "Aa2" and "AAA" from Moody's and Fitch, respectively. The refunding generated gross savings of $258.4 million over the life of the bonds. Net present value savings were $220.7 million or 17.36% savings of the refunded bonds.

In prior years, the District defeased certain principal amounts of its GO bonds by placing proceeds of refunding bonds in an irrevocable escrow fund to provide for all future debt service payments on the refunded and defeased bonds. Accordingly, the escrow account assets and the liability for the defeased GO Bonds are not included in the District's financial statements. As of June 30, 2017, $2,351.7 million of the defeased GO Bonds are still outstanding.

The Children Center Facilities revolving loan represents loan proceeds from the State Child Development Revolving Fund for the purchase of relocatable buildings, sites and site improvements for child care facilities. The loan, which does not incur interest charges, must be repaid in ten equal installments to commence on July 1, 2012 and each year thereafter until July 1, 2021.

The arbitrage payable balance reflects amounts due to the United States Treasury in order to comply with Internal Revenue Code Section 148(f). When the District issues tax-exempt debt, Internal Revenue Service (IRS) regulations limit the yield that the District can earn on the bond proceeds. If the District earns an amount in excess of the bond yield and does not qualify for a spending exception, the District must remit the excess earnings to the United States Treasury. Payments equal to 90% of the calculated excess earnings are due on each fifth anniversary of a bond's issuance date. When a bond issue is retired, all of the remaining excess earnings must be remitted. In March 2017, the District submitted payment totaling $1.018 million to IRS representing the net rebate and yield restriction liability amount accrued with respect to General Obligation Bonds, Election of 2004, Series F (2006), Election of 2005, Series A, B, & C (2006) and General Obligation Refunding Bonds, Series 2006A as of the end of the final computation period together with interest. As of June 30, 2017, the District has recognized a positive net rebate liability and yield restriction liability of $583,188 on the General Obligation Bonds, Election of 2004, Series J (2014) and Election of 2005, Series K (2014). However, no arbitrage or yield reduction payment is due to IRS in the next fiscal year and as such, no liability was accrued in the fund statement.

Debt Liquidation

Payments on the General Obligation Bonds and Certificates of Participation are made by the debt service funds. The employee benefits liability for retirement bonus are all paid out of the General Fund, while the compensated absences portion will be liquidated from different governmental funds and proprietary funds. In fiscal year 2017, approximately 92% of compensated absences has been paid by the General Fund, 7% by the District Bonds Fund, and 1% by the proprietary funds.

The self-insurance claims and other postemployment benefits will generally be liquidated through the internal service funds which will finance the payment of those claims and benefits by charging user funds. The General Fund assumes 100% of liability self-insurance claims. For workers' compensation and health benefit claims, including retiree health benefits, the General Fund currently bears approximately 89% of the cost, while the Cafeteria Fund carries 5%; no other individual fund is charged more than 3% of the total amount.

(13) Interfund Transactions

(a) Interfund Receivables/Payables (Due to/from Other Funds)

Interfund receivables/payables are eliminated on the government-wide statement of net position but are reported on the fund financial statements. These consist of borrowings between funds to cover temporary cash insufficiencies and permit payment of obligations. Interfund receivables and payables at June 30, 2017 are as follows (in thousands):

Fund Group	Fund	Interfund Receivables	Interfund Payables
General	Unrestricted	$ 27,000	$ —
	Total General	27,000	—
Special Revenue	Child Development	—	27,000
	Total Special Revenue	—	27,000
	Total Interfund Receivables/Payables	$ 27,000	$ 27,000

(Continued)

(b) Interfund Transfers

Interfund transfers are eliminated on the government-wide statement of activities but are reported on the fund financial statements. These consist of transfers for exchange of services or reimbursement of expenditures. In addition, interfund transactions are also made to move revenue collected in one fund to another fund where the resources are spent or accounted for, in accordance with budgetary authorization through which resources are to be expended. Transfers between funds for the year ended June 30, 2017 were as follows (in thousands):

From	To	Purpose	Amount
General	Adult Education	Adult education	$ 10,619
General	Cafeteria	Cafeteria support	3,772
General	Child Development	Child development support	31,161
General	Capital Services	Debt service	33,099
General	Building – Measure K	Reimbursement of capital expenditures	46
General	Building – Measure Q	Reimbursement of capital expenditures	37
Special Reserve	General	Reimbursement of capital expenditures	67
Special Reserve	Building – Measure K	Reimbursement of capital expenditures	226
Special Reserve	Building – Measure Q	Reimbursement of capital expenditures	20
Special Reserve	Building – Measure R	Reimbursement of capital expenditures	2
Special Reserve	Building – Measure Y	Reimbursement of capital expenditures	35
Special Reserve	County School Facilities Bonds – Prop 47	Reimbursement of capital expenditures	80
Special Reserve	Capital Services	Reimbursement of capital expenditures	1
Special Reserve – CRA	General	Reimbursement of capital expenditures	20,000
Special Reserve – CRA	Building – Measure K	Reimbursement of capital expenditures	115
Special Reserve – CRA	Building – Measure R	Reimbursement of capital expenditures	5
Capital Facilities	Capital Services	Debt service	9,571
Capital Facilities	Building – Measure K	Reimbursement of capital expenditures	55
Building – Bond Proceeds	General	Reimbursement of capital expenditures	837
Building – Bond Proceeds	County School Facilities Bonds – Prop 47	Reimbursement of capital expenditures	1,089
Building – Measure K	General	Reimbursement of capital expenditures	292
Building – Measure K	Building – Measure R	Reimbursement of capital expenditures	218
Building – Measure K	Building – Measure Y	Reimbursement of capital expenditures	17
Building – Measure K	County School Facilities Bonds – Prop 47	Reimbursement of capital expenditures	178
Building – Measure Q	General	Reimbursement of capital expenditures	10,187
Building – Measure Q	Cafeteria	Reimbursement of capital expenditures	484
Building – Measure Q	Building – Measure K	Reimbursement of capital expenditures	518
Building – Measure Q	Building – Measure R	Reimbursement of capital expenditures	4,380
Building – Measure Q	Building – Measure Y	Reimbursement of capital expenditures	4
Building – Measure Q	Special Reserve	Reimbursement of capital expenditures	458
Building – Measure R	General	Reimbursement of capital expenditures	541
Building – Measure R	Special Reserve	Reimbursement of capital expenditures	606
Building – Measure R	Building – Bond Proceeds	Reimbursement of capital expenditures	55
Building – Measure R	Building – Measure K	Reimbursement of capital expenditures	622
Building – Measure R	Building – Measure Y	Reimbursement of capital expenditures	37
Building – Measure R	Building – Measure Q	Reimbursement of capital expenditures	16
Building – Measure R	County School Facilities Bonds – Prop 47	Reimbursement of capital expenditures	3,155
Building – Measure Y	General	Reimbursement of capital expenditures	3,195
Building – Measure Y	Building – Measure K	Reimbursement of capital expenditures	599
Building – Measure Y	Building – Measure R	Reimbursement of capital expenditures	46
Building – Measure Y	County School Facilities Bonds – Prop 47	Reimbursement of capital expenditures	1,037
County School Facilities Bonds – Prop 47	General	Reimbursement of capital expenditures	2,180
County School Facilities Bonds – Prop 47	Special Reserve	Reimbursement of capital expenditures	1
County School Facilities Bonds – Prop 47	Capital Facilities	Reimbursement of capital expenditures	6,718
County School Facilities Bonds – Prop 47	Building – Bond Proceeds	Reimbursement of capital expenditures	2,018
County School Facilities Bonds – Prop 47	Building – Measure K	Reimbursement of capital expenditures	74,710
County School Facilities Bonds – Prop 47	Building – Measure Y	Reimbursement of capital expenditures	338
County School Facilities Bonds – Prop 47	Building – Measure R	Reimbursement of capital expenditures	14,010
County School Facilities Bonds – Prop 47	Building – Measure Y	Reimbursement of capital expenditures	18,914
Total			$ 256,371

(Continued)

(14) Fund Equity

The following is a summary of nonspendable, restricted, assigned, and unassigned fund balances at June 30, 2017 (in thousands):

	General	District Bonds	Bond Interest and Redemption	Other Governmental
Nonspendable:				
Revolving cash and imprest funds	$ 2,756	$ 3,625	$ —	$ 32
Inventories	18,581	—	—	10,509
Prepaids	2,166	—	—	148
Total Nonspendable Balances	23,503	3,625	—	10,689
Restricted for:				
Child Nutrition: School Programs	—	—	—	53,511
Medi-Cal Billing Options	4,780	—	—	—
FEMA Public Assistance Funds	132	—	—	1,656
California Clean Energy Jobs Act	98,020	—	—	—
Educator Effectiveness	24,638	—	—	—
School Mental Health Medi-Cal Rehabilitation	5,143	—	—	—
Medi-Cal Electronic Health Record Incentive	584	—	—	—
English Language Acquisition Program, Teacher Training & Student Assistance	2,544	—	—	—
Special Education	3,333	—	—	—
College Readiness Block Grant	16,355	—	—	—
State School Facilities Projects	—	—	—	299,400
Employment Training Panel-Regional Occupational Centers and Programs	451	—	—	—
Ongoing and Major Maintenance Account	4,047	—	—	—
Prop 84 Stormwater Grant Reimbursement	—	—	—	721
CDE Grant Olive Vista Middle School	—	—	—	4
Division of State Architect Certification/Close out	—	—	—	1,594
Capital Projects	—	—	—	133,564
B.E.S.T. Behavior – Special Education	205	—	—	—
KLCS – Capital Improvements	1,662	—	—	—
Clean Cities Grant	86	—	—	—
Cognitive Behavioral Intervention Therapy	112	—	—	—
DWP Pilot Efficiency Activities	962	—	—	—
Adult Education Block Grant Program	—	—	—	15,459
Adult Education Block Grant Data & Accountability	—	—	—	2,453
Debt Service Reserve	—	—	764,293	57,911
District Bonds	—	684,957	—	—
Total Restricted Balances	163,054	684,957	764,293	566,273
Assigned to:				
Subsequent year expenditures	783,906	4,184	—	261,875
Unassigned:				
Reserved for economic uncertainties	73,411	—	—	—
Unassigned	721,269	—	—	—
Total Fund Balances	$ 1,765,143	$ 692,766	$ 764,293	$ 838,837

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

(Continued)

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

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

Unassigned fund balances represent all other spendable amounts.

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

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the District considers restricted funds to have been spent first. When an expenditure is incurred for which amounts in any of the unrestricted classifications of fund balance could be used, the District considers assigned amounts to be reduced first, before the unassigned amounts.

Minimum Fund Balance Policy

As part of the Budget and Finance Policy, the governing board has adopted a minimum fund balance policy for the General Fund in order to avoid the need for service level reductions in the event that an economic downturn causes revenues to be substantially lower than what was budgeted. The policy requires the District to maintain a reserve for economic uncertainty consisting of unassigned amounts equal to at least 1% of total General Fund expenditures and other financing uses. In the event that the District must expend all or part of this reserve, the District will identify and implement a budgetary plan to replenish this reserve the following year. This reserve may be adjusted based on changes to legal requirement.

It is also a policy that the Total General Fund balance be maintained at a minimum level of 5% of Total General Fund expenditures and transfers out. In the event that the General Fund balance falls below this level, all one-time monies will be set-aside until the 5% minimum reserve threshold is met. In addition, other recommendations may be developed to restore reserve balances.

(15) Contingencies and Commitments

(a) General

The District, as well as current and former Board Members and employees to whom the District has defense and indemnification responsibilities under the Government Code, has been named as defendants in numerous lawsuits, administrative proceedings and arbitrations. These seek, among other things, to require the District to reinstate terminated, demoted, suspended, and laid-off employees, to remedy alleged noncompliance regarding special education schools, and to change existing instructional programs, pupil integration methods, and employment and administration procedures. In many proceedings, monetary damages are sought including, for example, claims for retroactive pay and benefits and future pay and benefits. Based on the opinion of counsel, management believes that the ultimate outcome of such lawsuits will not have a material effect on the District's financial condition.

(Continued)

(b) Grants

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

(c) Construction Contracts

The District has entered into various contracts for the construction of facilities throughout the campuses. During fiscal year 2016-17 the District entered into approximately 102 contracts with a combined value of $368.0 million. The durations of the contracts range from two month to three years.

REQUIRED SUPPLEMENTARY INFORMATION

LOS ANGELES UNIFIED SCHOOL DISTRICT
Required Supplementary Information
Schedule of Funding Progress for Postemployment Healthcare Benefits
Year Ended June 30, 2017
(Dollar amounts in thousands)

Actuarial Valuation Date	Actuarial Value of Assets (AVA)	Actuarial Accrued Liability (Entry Age Normal) (AAL)	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
7/1/2011	$ —	$ 11,154,190	$ 11,154,190	0.00%	$ 4,600,000	242%
7/1/2013	—	10,901,982	10,901,982	0.00%	4,600,000	237%
7/1/2015	90,156	13,648,716	13,558,560	0.66%	3,700,000	366%

See accompanying independent auditor's report.

LOS ANGELES UNIFIED SCHOOL DISTRICT
Required Supplementary Information
Schedule of Changes in the Net Pension Liability and Related Ratios *
Agent Multiple-Employer Defined Benefit Pension Plan
California Public Employees' Retirement System (CalPERS) – Safety Plan
For the Year Ended June 30, 2017
(Dollar amounts in thousands)

	2014-2015	2015-2016	2016-2017
Total Pension Liability			
Service Cost	$ 8,284	$ 8,240	$ 8,861
Interest on total pension liability	22,121	23,128	25,394
Differences between expected and actual experience	—	(4,558)	11,191
Changes in assumptions	—	(5,860)	—
Changes in benefits	—	—	—
Benefit payments, including refunds of employee contributions	(12,325)	(12,853)	(13,654)
Net change in total pension liability	18,080	8,097	31,792
Total pension liability – beginning	296,973	315,053	323,150
Total pension liability – ending (a)	315,053	323,150	354,943
Plan fiduciary net position			
Contributions – employer	8,341	9,347	8,701
Contributions – employee	2,717	2,825	3,064
Net investment income (net of administrative expenses)	37,066	5,184	1,196
Benefit payments	(12,325)	(12,853)	(13,654)
Plan to Plan Resource Movement	—	1	(3)
Net change in plan fiduciary net position	35,799	4,505	(696)
Plan fiduciary net position – beginning	213,160	248,959	253,465
Plan fiduciary net position – ending (b)	248,959	253,464	252,769
Net pension liability – ending (a) - (b)	$ 66,094	$ 69,686	$ 102,174
Plan fiduciary net position as a percentage of the total pension liability	79.02%	78.44%	71.21%
Covered – employee payroll	$ 26,213	$ 27,384	$ 31,786
Net pension liability as percentage of covered – employee payroll	252.14%	254.48%	321.45%

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

See accompanying independent auditor's report.

LOS ANGELES UNIFIED SCHOOL DISTRICT
Required Supplementary Information
Schedule of Contributions *
Agent Multiple-Employer Defined Benefit Pension Plan
California Public Employees' Retirement System (CalPERS) – Safety Plan
For the Year Ended June 30, 2017
(Dollar amounts in thousands)

	2014-2015	2015-2016	2016-2017
Actuarially determined contribution	$ 9,342	$ 10,397	$ 11,392
Contributions in relation to the actuarially determined contributions	(9,342)	(10,397)	(11,392)
Contribution deficiency (excess)	$ —	$ —	$ —
Covered – employee payroll	$ 39,837	$ 42,476	$ 43,788
Contributions as a percentage of covered – employee payroll	23.45%	24.48%	26.02%

Notes to Schedule:

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

Valuation date	6/30/2012	6/30/2013	6/30/2014
Actuarial cost method	Entry Age Normal Cost Method	Entry Age Normal Cost Method	Entry Age Normal Cost Method
Amortization method	Level Percent of Payroll	Level Percent of Payroll	Level Percent of Payroll
Asset valuation method	15 Year Smoothed Market	Market Value of Assets	Market Value of Assets
Inflation	2.75% compounded annually	2.75% compounded annually	2.75% compounded annually
Salary increases	Varies by entry age and service	3.3% to 14.2% depending on age, service and type of employment	Varies by entry age and service
Payroll Growth	3.0%	3.0%	3.0%
Investment rate of return	7.5% net of pension plan investment and administrative expenses; includes inflation.	7.5%	7.5%
Retirement age	The probabilities of retirement are based on the 2010 CalPERS Experience Study for the period from 1997 to 2007.	The probabilities of retirement are based on the 2010 CalPERS Experience Study for the period from 1997 to 2007.	The probabilities of retirement are based on the 2014 CalPERS Experience Study.
Mortality	The probabilities of mortality are based on the 2010 CalPERS Experience Study for the period from 1997 to 2007. Pre-retirement and Post-retirement mortality rates include 5 years of projected mortality improvement using Scale AA published by the Society of Actuaries.	Based on mortality rates from the most recent CalPERS Experience Study adopted by the CalPERS Board. For purposes of the post-retirement mortality rates, those revised rates include 5 years of projected on-going mortality improvement using scale AA published by the Society of Actuaries. There is no margin for future mortality improvement beyond the valuation date.	Based on mortality rates from the most recent CalPERS Experience Study adopted by the CalPERS Board. For purposes of the post-retirement mortality rates, those revised rates include 20 years of projected on-going mortality improvements using Scale BB published by the Society of Actuaries.

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

See accompanying independent auditor's report.

LOS ANGELES UNIFIED SCHOOL DISTRICT
Required Supplementary Information
Schedule of District Proportionate Share of the Net Pension Liability and Related Ratios and District Contributions *
Cost Sharing Multiple Employer Defined Benefit Pension Plan
California Public Employees' Retirement System (CalPERS) – Miscellaneous Plan
For the Year Ended June 30, 2017
(Dollar amounts in thousands)

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

	2014-2015	2015-2016	2016-2017
District's proportion of the net pension liability (asset)	9.3936%	8.7047%	8.3405%
District's proportionate share of the net pension liability (asset)	$ 1,066,402	$ 1,283,081	$ 1,647,254
District's covered-employee payroll	839,116	1,016,759	1,078,634
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	127.09%	126.19%	152.72%
Plan fiduciary net position as a percentage of the total pension liability	83.38%	79.43%	73.90%

2. Schedule of District Contributions

	2014-2015	2015-2016	2016-2017
Contractually required contribution District contributions	$ 113,398	$ 119,193	$ 144,467
Contributions in relation to the contractually required contribution	113,398	119,193	144,467
Contribution deficiency (excess)	$ —	$ —	$ —
District's covered-employee payroll	1,016,759	1,078,634	1,108,784
Contributions as a percentage of covered-employee payroll	11.15%	11.05%	13.03%

Notes to Schedule:

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

Valuation date	6/30/2013	6/30/2014	6/30/2015
Actuarial cost method	Entry Age Normal	Entry Age Normal	Entry Age Normal
Amortization method	Level Percent of Payroll	Level Percent of Payroll	Level Percent of Payroll
Remaining amortization period	20-year period	Varies depending on the nature of the change in the unfunded liabilities.	Varies depending on the nature of the change in the unfunded liabilities.
Asset valuation method	Actuarial value of Assets	Market value of Assets	Market value of Assets
Inflation	2.75%	2.75%	2.75%
Salary increases	Varies by entry age and duration of service	Varies by entry age and duration of service	Varies by entry age and duration of service
Investment rate of return	7.50%	7.50%	7.50%
Retirement age	CalPERS Experience Study	CalPERS Experience Study	CalPERS Experience Study
Mortality	The probabilities of mortality are based on the most recent CalPERS Experience Study adopted by the CalPERS Board, first used in the 6/30/09 Valuation. Post-retirement mortality rates include 5 years of projected on-going mortality improvement using Scale AA published by the Society of Actuaries until June 30, 2010.	The probabilities of mortality are based on the most recent CalPERS Experience Study adopted by the CalPERS Board, first used in the 6/30/09 Valuation. Post-retirement mortality rates include 5 years of projected on-going mortality improvement using Scale AA published by the Society of Actuaries until June 30, 2010.	The probabilities of mortality are based on the most recent CalPERS Experience Study adopted by the CalPERS Board, first used in the 6/30/15 Valuation. Post-retirement mortality rates include 20 years of projected on-going mortality improvements using Scale BB published by the Society of Actuaries.

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

See accompanying independent auditor’s report.

LOS ANGELES UNIFIED SCHOOL DISTRICT
Required Supplementary Information
Schedule of District Proportionate Share of the Net Pension Liability and Related Ratios and District Contributions *
Cost Sharing Multiple Employer Defined Benefit Pension Plan
California State Teachers' Retirement System (CalSTRS)
For the Year Ended June 30, 2017
(Dollar amounts in thousands)

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

	2014-2015	2015-2016	2016-2017
District's proportion of the net pension liability (asset)	5.7380%	5.9320%	5.5890%
District's proportionate share of the net pension liability (asset)	$ 3,353,000	$ 3,993,660	$ 4,520,439
District's covered-employee payroll	2,585,154	2,771,643	2,834,892
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	129.70%	144.09%	159.46%
Plan fiduciary net position as a percentage of the total pension liability	76.52%	74.02%	70.04%

2. Schedule of District Contributions

	2014-2015	2015-2016	2016-2017
Contractually required contribution District contributions	$ 245,474	$ 302,716	$ 358,073
Contributions in relation to the contractually required contribution	245,474	302,716	358,073
Contribution deficiency (excess)	$ —	$ —	$ —
District's covered-employee payroll	2,771,643	2,834,892	2,865,305
Contributions as a percentage of covered-employee payroll	8.86%	10.68%	12.50%

Notes to Schedule:

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

Valuation date	6/30/2013	6/30/2014	6/30/2015
Actuarial cost method	Entry Age Normal	Entry Age Normal	Entry Age Normal
Amortization method	Level Percent of Payroll	Level Percent of Payroll	Level Percent of Payroll
Remaining amortization period	30 years	32 years	31 years
Asset valuation method	Expected Value with 33% adjustment to Market Value	Expected Value with 33% adjustment to Market Value	Expected Value with 33% adjustment to Market Value
Inflation	3.00%	3.00%	3.00%
Salary increases	3.75%	3.75%	3.75%
Investment rate of return	7.50%	7.50%	7.50%
Retirement age	Experience Tables	Experience Tables	Experience Tables
Mortality	RP-2000 Series Table	RP-2000 Series Table	RP-2000 Series Table

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

See accompanying independent auditor’s report.

LOS ANGELES UNIFIED SCHOOL DISTRICT
District Bonds Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual
Year Ended June 30, 2017
(in thousands)

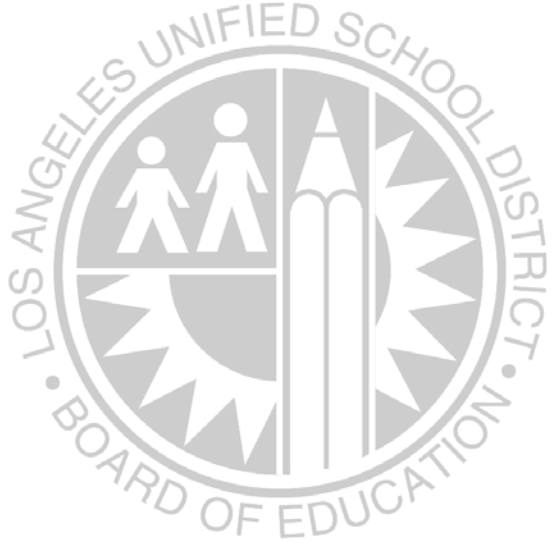
	Budget			Variance with Final Budget – Favorable (Unfavorable)
	Original	Final	Actual	
Revenues:				
Other local revenues	$ 7,490	$ 7,490	$ 15,000	$ 7,510
Total Revenues	7,490	7,490	15,000	7,510
Expenditures:				
Current:				
Classified salaries	126,795	175,693	57,454	118,239
Employee benefits	46,154	78,501	26,082	52,419
Books and supplies	11,523	46,374	2,016	44,358
Services and other operating expenditures	1,108	98,018	25,936	72,082
Capital outlay	560,744	468,429	291,627	176,802
Total Expenditures	746,324	867,015	403,115	463,900
Excess (Deficiency) of Revenues Over (Under) Expenditures	(738,834)	(859,525)	(388,115)	471,410
Other Financing Sources (Uses):				
Transfers in	—	117,044	117,043	(1)
Transfers out	(8,000)	(51,070)	(28,571)	22,499
Issuance of bonds	1,042,140	1,042,140	—	(1,042,140)
Total Other Financing Sources (Uses)	1,034,140	1,108,114	88,472	(1,019,642)
Net Changes in Fund Balances	295,306	248,589	(299,643)	(548,232)
Fund Balances, July 1, 2016	946,420	992,409	992,409	—
Fund Balances, June 30, 2017	$ 1,241,726	$ 1,240,998	$ 692,766	$ (548,232)

See accompanying independent auditor's report.

LOS ANGELES UNIFIED SCHOOL DISTRICT
Bond Interest and Redemption Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual
Year Ended June 30, 2017
(in thousands)

	Budget			Variance with Final Budget – Favorable (Unfavorable)
	Original	Final	Actual	
Revenues:				
Federal revenues	$ 68,737	$ 68,737	$ 68,700	$ (37)
Other state revenues	5,230	5,230	3,803	(1,427)
Other local revenues	814,797	814,797	800,269	(14,528)
Total Revenues	888,764	888,764	872,772	(15,992)
Expenditures:				
Debt service – principal	340,161	390,967	389,995	972
Debt service – refunding bond issuance cost	—	4,000	3,793	207
Debt service – bond, COPs, and capital leases interest	548,603	523,909	499,870	24,039
Total Expenditures	888,764	918,876	893,658	25,218
Excess (Deficiency) of Revenues Over (Under) Expenditures	—	(30,112)	(20,886)	9,226
Other Financing Sources (Uses):				
Issuance of refunding bonds	—	1,581,685	1,581,685	—
Payment to refunded bond escrow agent	—	(1,887,011)	(1,887,011)	—
Premium on refunding bonds issued	—	309,119	310,714	1,595
Discount on refunding bonds issued	—	—	(1,595)	(1,595)
Total Other Financing Sources	—	3,793	3,793	—
Net Changes in Fund Balances	—	(26,319)	(17,093)	9,226
Fund Balances, July 1, 2016	838,780	781,386	781,386	—
Fund Balances, June 30, 2017	$ 838,780	$ 755,067	$ 764,293	$ 9,226

See accompanying independent auditor's report.


LOS ANGELES UNIFIED SCHOOL DISTRICT
BOARD OF EDUCATION

LOS ANGELES UNIFIED SCHOOL DISTRICT

Nonmajor Governmental Funds

Special Revenue Funds

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

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

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

Debt Service Funds

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

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

Capital Projects Funds

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

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

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

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

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

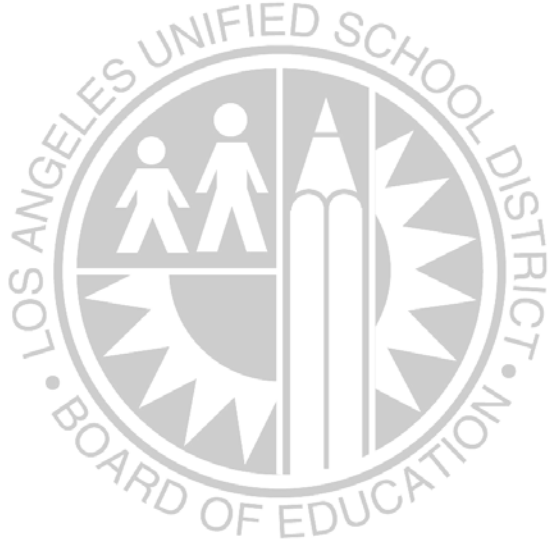
The Special Reserve Fund – FEMA-Earthquake is used to account for funds received from the Federal Emergency Management Agency (FEMA) for capital outlay projects resulting from the January 17, 1994 Northridge Earthquake.

LOS ANGELES UNIFIED SCHOOL DISTRICT

Nonmajor Governmental Funds

The Special Reserve Fund – FEMA-Hazard Mitigation was established on April 15, 1996 to account for funds received from FEMA and for the 25% District-matching funds for the retrofit/replacement of pendant lighting and suspended ceilings in selected buildings at schools, offices, and children's centers.

The Special Reserve Fund – Community Redevelopment Agency is used to account for reimbursements of tax increment revenues from certain community redevelopment agencies based on agreements between the District and the agencies. These reimbursements are to be used for capital projects within the respective redevelopment areas covered in the agreements.


LOS ANGELES UNIFIED SCHOOL DISTRICT
BOARD OF EDUCATION

LOS ANGELES UNIFIED SCHOOL DISTRICT
Nonmajor Governmental Funds
Combining Balance Sheet
June 30, 2017
(in thousands)

	Special Revenue			
Assets:	Adult Education	Child Development	Cafeteria	Total
Cash in county treasury, in banks, and on hand	$ 31,973	$ 28,695	$ 44,192	$ 104,860
Cash held by trustee	—	—	—	—
Accounts receivable – net	9,491	3,714	14,917	28,122
Accrued interest receivable	197	44	99	340
Prepaids	—	—	148	148
Inventories	—	—	10,508	10,508
Total Assets	41,661	32,453	69,864	143,978
Deferred Outflows of Resources	—	—	—	—
Total Assets and Deferred Outflows of Resources	$ 41,661	$ 32,453	$ 69,864	$ 143,978
Liabilities and Fund Balances:				
Vouchers and accounts payable	$ 2,446	$ 518	$ 2,254	$ 5,218
Contracts payable	17	—	—	17
Accrued payroll	3,262	4,347	2,342	9,951
Other payables	1,377	5	160	1,542
Due to other funds	—	27,000	—	27,000
Unearned revenue	195	188	940	1,323
Total Liabilities	7,297	32,058	5,696	45,051
Deferred Inflows of Resources	—	—	—	—
Fund Balances:				
Nonspendable	31	1	10,657	10,689
Restricted	17,912	—	53,511	71,423
Assigned	16,421	394	—	16,815
Total Fund Balances	34,364	395	64,168	98,927
Total Liabilities, Deferred Inflows of Resources and Fund Balances	$ 41,661	$ 32,453	$ 69,864	$ 143,978

See accompanying independent auditors' report.

Debt Service		
Tax Override	Capital Services	Total
$ 393	$ 10,658	$ 11,051
—	46,804	46,804
—	—	—
2	54	56
—	—	—
—	—	—
395	57,516	57,911
—	—	—
$ 395	$ 57,516	$ 57,911
$ —	$ —	$ —
—	—	—
—	—	—
—	—	—
—	—	—
—	—	—
—	—	—
—	—	—
—	—	—
395	57,516	57,911
—	—	—
395	57,516	57,911
$ 395	$ 57,516	$ 57,911

(Continued)

LOS ANGELES UNIFIED SCHOOL DISTRICT
Nonmajor Governmental Funds
Combining Balance Sheet (Continued)
June 30, 2017
(in thousands)

Assets:	Capital			
	Building	**Capital Facilities Account**	**State School Building Lease – Purchase**	**County School Facilities Bonds**
Cash in county treasury, in banks, and on hand	$ 8,793	$ 229,695	$ 12,163	$ 296,314
Cash held by trustee	—	—	—	—
Accounts receivable – net	—	6,176	—	—
Accrued interest receivable	44	1,077	62	1,728
Prepaids	—	—	—	—
Inventories	—	—	—	—
Total Assets	8,837	236,948	12,225	298,042
Deferred Outflows of Resources	—	—	—	—
Total Assest and Deferred Outflows of Resources	$ 8,837	$ 236,948	$ 12,225	$ 298,042
Liabilities and Fund Balances:				
Vouchers and accounts payable	$ —	$ 279	$ 133	$ 370
Contracts payable	—	2,630	174	4,251
Accrued payroll	—	23	—	117
Other payables	—	46	5,784	38
Due to other funds	—	—	—	—
Unearned revenue	—	—	—	—
Total Liabilities	—	2,978	6,091	4,776
Deferred Inflows of Resources	—	—	—	—
Fund Balances:				
Nonspendable	—	—	—	—
Restricted	—	—	6,134	293,266
Assigned	8,837	233,970	—	—
Total Fund Balances	8,837	233,970	6,134	293,266
Total Liabilities, Deferred Inflows of Resources and Fund Balances	$ 8,837	$ 236,948	$ 12,225	$ 298,042

See accompanying independent auditors' report.

Projects						
Special Reserve – Community Redevelopment Agency	Special Reserve	Special Reserve – FEMA – Earthquake	Special Reserve – FEMA – Hazard Mitigation	Total	Total Nonmajor Governmental Funds
$ 49,263	$ 83,066	$ 3,393	$ 2,086	$ 684,773	$ 800,684
—	1,606	—	—	1,606	48,410
—	45	—	—	6,221	34,343
307	442	18	11	3,689	4,085
—	—	—	—	—	148
—	—	—	—	—	10,508
49,570	85,159	3,411	2,097	696,289	898,178
—	—	—	—	—	—
$ 49,570	$ 85,159	$ 3,411	$ 2,097	$ 696,289	$ 898,178
$ 87	$ 262	$ 5	$ —	$ 1,136	$ 6,354
—	6	—	—	7,061	7,078
14	54	—	—	208	10,159
—	17	—	—	5,885	7,427
—	—	—	—	—	27,000
—	—	—	—	—	1,323
101	339	5	—	14,290	59,341
—	—	—	—	—	—
—	—	—	—	—	10,689
49,469	84,820	3,250	—	436,939	566,273
—	—	156	2,097	245,060	261,875
49,469	84,820	3,406	2,097	681,999	838,837
$ 49,570	$ 85,159	$ 3,411	$ 2,097	$ 696,289	$ 898,178

LOS ANGELES UNIFIED SCHOOL DISTRICT
Nonmajor Governmental Funds
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Year Ended June 30, 2017
(in thousands)

	Special Revenue			
	Adult Education	**Child Development**	**Cafeteria**	**Total**
Revenues:				
Federal revenues	$ 14,478	$ 5,087	$ 342,076	$ 361,641
Other state revenues	99,490	109,186	22,217	230,893
Other local revenues	3,851	4,135	9,693	17,679
Total Revenues	117,819	118,408	373,986	610,213
Expenditures:				
Current:				
Certificated salaries	55,680	40,986	—	96,666
Classified salaries	13,609	46,898	89,415	149,922
Employee benefits	33,329	51,117	83,658	168,104
Books and supplies	7,819	3,110	172,237	183,166
Services and other operating expenditures	5,875	2,551	3,180	11,606
Capital outlay	923	—	26	949
Debt service – principal	—	79	—	79
Debt service – bond, COPs, and capital leases interest	—	—	—	—
Other outgo	1,357	—	—	1,357
Transfers of indirect costs – interfund	3,295	4,912	11,313	19,520
Total Expenditures	121,887	149,653	359,829	631,369
Excess (Deficiency) of Revenues Over (Under) Expenditures	(4,068)	(31,245)	14,157	(21,156)
Other Financing Sources (Uses):				
Transfers in	10,619	31,161	4,256	46,036
Transfers out	—	—	—	—
Total Other Financing Sources (Uses)	10,619	31,161	4,256	46,036
Net Changes in Fund Balances	6,551	(84)	18,413	24,880
Fund Balances, July 1, 2016	27,813	479	45,755	74,047
Fund Balances, June 30, 2017	$ 34,364	$ 395	$ 64,168	$ 98,927

See accompanying independent auditor's report.

Debt Service		
Tax Override	Capital Services	Total
$ —	$ 572	$ 572
—	—	—
5	372	377
5	944	949
—	—	—
—	—	—
—	—	—
—	—	—
—	—	—
—	—	—
—	30,621	30,621
—	12,096	12,096
—	—	—
—	—	—
—	42,717	42,717
5	(41,773)	(41,768)
—	42,671	42,671
—	—	—
—	42,671	42,671
5	898	903
390	56,618	57,008
$ 395	$ 57,516	$ 57,911

(Continued)

LOS ANGELES UNIFIED SCHOOL DISTRICT
Nonmajor Governmental Funds
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances (Continued)
Year Ended June 30, 2017
(in thousands)

	Capital			
	Building	**Capital Facilities Account**	**State School Building Lease – Purchase**	**County School Facilities Bonds**
Revenues:				
Federal revenues	$ —	$ —	$ —	$ —
Other state revenues	—	—	—	(587)
Other local revenues	662	92,750	133	4,106
Total Revenues	662	92,750	133	3,519
Expenditures:				
Current:				
Certificated salaries	—	—	—	—
Classified salaries	—	435	—	1,804
Employee benefits	—	206	—	834
Books and supplies	—	2	—	2
Services and other operating expenditures	—	722	—	2,068
Capital outlay	—	35,448	12	25,108
Debt service – principal	—	—	—	—
Debt service – bond, COPs, and capital leases interest	—	—	—	—
Other outgo	—	—	—	—
Transfers of indirect costs – interfund	—	—	—	—
Total Expenditures	—	36,813	12	29,816
Excess (Deficiency) of Revenues Over (Under) Expenditures	662	55,937	121	(26,297)
Other Financing Sources (Uses):				
Transfers in	—	6,718	—	5,539
Transfers out	—	(9,626)	—	(118,889)
Total Other Financing Sources (Uses)	—	(2,908)	—	(113,350)
Net Changes in Fund Balances	662	53,029	121	(139,647)
Fund Balances, July 1, 2016	8,175	180,941	6,013	432,913
Fund Balances, June 30, 2017	$ 8,837	$ 233,970	$ 6,134	$ 293,266

See accompanying independent auditor's report.

Projects					
Special Reserve – Community Redevelopment Agency	Special Reserve	Special Reserve – FEMA – Earthquake	Special Reserve – FEMA – Hazard Mitigation	Total	Total Nonmajor Governmental Funds
$ —	$ 100	$ —	$ —	$ 100	$ 362,313
—	1,363	—	—	776	231,669
28,215	7,842	45	23	133,776	151,832
28,215	9,305	45	23	134,652	745,814
—	—	—	—	—	96,666
1,518	1,177	71	—	5,005	154,927
787	521	32	—	2,380	170,484
102	320	42	—	468	183,634
434	1,703	91	—	5,018	16,624
—	5,991	2,035	—	68,594	69,543
—	—	—	—	—	30,700
—	—	—	—	—	12,096
—	—	—	—	—	1,357
—	—	—	—	—	19,520
2,841	9,712	2,271	—	81,465	755,551
25,374	(407)	(2,226)	23	53,187	(9,737)
—	1,065	—	—	13,322	102,029
(20,119)	(431)	—	—	(149,065)	(149,065)
(20,119)	634	—	—	(135,743)	(47,036)
5,255	227	(2,226)	23	(82,556)	(56,773)
44,214	84,593	5,632	2,074	764,555	895,610
$ 49,469	$ 84,820	$ 3,406	$ 2,097	$ 681,999	$ 838,837

LOS ANGELES UNIFIED SCHOOL DISTRICT
Special Revenue Funds
Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual
Year Ended June 30, 2017
(in thousands)

	Adult Education			
	Budget			Variance with Final Budget – Favorable (Unfavorable)
	Original	Final	Actual	
Revenues:				
Federal revenues	$ 14,772	$ 15,891	$ 14,478	$ (1,413)
Other state revenues	96,843	97,351	99,490	2,139
Other local revenues	900	3,530	3,851	321
Total Revenues	112,515	116,772	117,819	1,047
Expenditures:				
Current:				
Certificated salaries	57,254	60,491	55,680	4,811
Classified salaries	14,575	15,419	13,609	1,810
Employee benefits	26,560	33,991	33,329	662
Books and supplies	28,960	30,162	7,819	22,343
Services and other operating expenditures	5,061	8,781	5,875	2,906
Capital outlay	219	926	923	3
Debt Service – principal	—	—	—	—
Other outgo	—	1,400	1,357	43
Transfers of indirect costs – interfund	4,038	4,009	3,295	714
Total Expenditures	136,667	155,179	121,887	33,292
Excess (Deficiency) of Revenues Over (Under) Expenditures	(24,152)	(38,407)	(4,068)	34,339
Other Financing Sources (Uses):				
Transfers in	—	10,619	10,619	—
Transfers out	—	—	—	—
Total Other Financing Sources (Uses)	—	10,619	10,619	—
Net Changes in Fund Balances	(24,152)	(27,788)	6,551	34,339
Fund Balances, July 1, 2016	24,183	27,813	27,813	—
Fund Balances, June 30, 2017	$ 31	$ 25	$ 34,364	$ 34,339

See accompanying independent auditor's report.

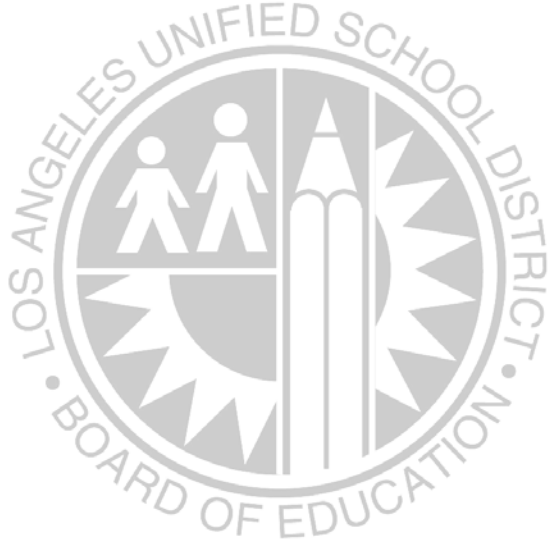
	Child Development				Cafeteria			
	Budget			Variance with Final Budget – Favorable	Budget			Variance with Final Budget – Favorable
	Original	Final	Actual	(Unfavorable)	Original	Final	Actual	(Unfavorable)
	$ 4,534	$ 4,534	$ 5,087	$ 553	$ 322,112	$ 333,657	$ 342,076	$ 8,419
	117,421	111,159	109,186	(1,973)	21,917	22,327	22,217	(110)
	4,884	4,011	4,135	124	8,851	9,016	9,693	677
	126,839	119,704	118,408	(1,296)	352,880	365,000	373,986	8,986
	43,663	41,171	40,986	185	—	—	—	—
	45,756	47,859	46,898	961	87,399	91,277	89,415	1,862
	51,220	51,370	51,117	253	93,556	85,171	83,658	1,513
	9,417	4,326	3,110	1,216	194,045	187,436	172,237	15,199
	5,286	3,477	2,551	926	2,791	3,646	3,180	466
	—	—	—	—	660	231	26	205
	396	396	79	317	—	—	—	—
	—	—	—	—	—	—	—	—
	5,077	5,100	4,912	188	12,501	11,937	11,313	624
	160,815	153,699	149,653	4,046	390,952	379,698	359,829	19,869
	(33,976)	(33,995)	(31,245)	2,750	(38,072)	(14,698)	14,157	28,855
	33,497	33,517	31,161	(2,356)	38,582	4,348	4,256	(92)
	—	—	—	—	—	—	—	—
	33,497	33,517	31,161	(2,356)	38,582	4,348	4,256	(92)
	(479)	(478)	(84)	394	510	(10,350)	18,413	28,763
	480	479	479	—	20,689	45,755	45,755	—
	$ 1	$ 1	$ 395	$ 394	$ 21,199	$ 35,405	$ 64,168	$ 28,763

(Continued)

LOS ANGELES UNIFIED SCHOOL DISTRICT
Special Revenue Funds
Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual (Continued)
Year Ended June 30, 2017
(in thousands)

	Total			
	Budget			Variance with Final Budget – Favorable (Unfavorable)
	Original	Final	Actual	
Revenues:				
Federal revenues	$ 341,418	$ 354,082	$ 361,641	$ 7,559
Other state revenues	236,181	230,837	230,893	56
Other local revenues	14,635	16,557	17,679	1,122
Total Revenues	592,234	601,476	610,213	8,737
Expenditures:				
Current:				
Certificated salaries	100,917	101,662	96,666	4,996
Classified salaries	147,730	154,555	149,922	4,633
Employee benefits	171,336	170,532	168,104	2,428
Books and supplies	232,422	221,924	183,166	38,758
Services and other operating expenditures	13,138	15,904	11,606	4,298
Capital outlay	879	1,157	949	208
Debt Service – principal	396	396	79	317
Other outgo	—	1,400	1,357	43
Transfers of indirect costs – interfund	21,616	21,046	19,520	1,526
Total Expenditures	688,434	688,576	631,369	57,207
Excess (Deficiency) of Revenues Over (Under) Expenditures	(96,200)	(87,100)	(21,156)	65,944
Other Financing Sources (Uses):				
Transfers in	72,079	48,484	46,036	(2,448)
Transfers out	—	—	—	—
Total Other Financing Sources (Uses)	72,079	48,484	46,036	(2,448)
Net Changes in Fund Balances	(24,121)	(38,616)	24,880	63,496
Fund Balances, July 1, 2016	45,352	74,047	74,047	—
Fund Balances, June 30, 2017	$ 21,231	$ 35,431	$ 98,927	$ 63,496

See accompanying independent auditor's report.


LOS ANGELES UNIFIED SCHOOL DISTRICT
BOARD OF EDUCATION

LOS ANGELES UNIFIED SCHOOL DISTRICT
Debt Service Funds
Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual
Year Ended June 30, 2017
(in thousands)

	Tax Override			
	Budget			Variance with Final Budget – Favorable (Unfavorable)
	Original	Final	Actual	
Revenues:				
Federal revenues	$ —	$ —	$ —	$ —
Other state revenues	—	—	—	—
Other local revenues	—	—	5	5
Total Revenues	—	—	5	5
Expenditures:				
Debt service – principal	—	—	—	—
Debt service – bond, COPs, and capital leases interest	390	390	—	390
Total Expenditures	390	390	—	390
Excess (Deficiency) of Revenues Over (Under) Expenditures	(390)	(390)	5	395
Other Financing Sources (Uses):				
Transfers in	—	—	—	—
Total Other Financing Sources	—	—	—	—
Net Changes in Fund Balances	(390)	(390)	5	395
Fund Balances, July 1, 2016	390	390	390	—
Fund Balances, June 30, 2017	$ —	$ —	$ 395	$ 395

See accompanying independent auditor's report.

Capital Services				Total			
Budget			Variance with Final Budget – Favorable	Budget			Variance with Final Budget – Favorable
Original	Final	Actual	(Unfavorable)	Original	Final	Actual	(Unfavorable)
$ 572	$ 572	$ 572	$ —	$ 572	$ 572	$ 572	$ —
—	—	—	—	—	—	—	—
275	275	372	97	275	275	377	102
847	847	944	97	847	847	949	102
29,116	30,621	30,621	—	29,116	30,621	30,621	—
15,005	13,501	12,096	1,405	15,395	13,891	12,096	1,795
44,121	44,122	42,717	1,405	44,511	44,512	42,717	1,795
(43,274)	(43,275)	(41,773)	1,502	(43,664)	(43,665)	(41,768)	1,897
43,274	43,275	42,671	(604)	43,274	43,275	42,671	(604)
43,274	43,275	42,671	(604)	43,274	43,275	42,671	(604)
—	—	898	898	(390)	(390)	903	1,293
56,603	56,618	56,618	—	56,993	57,008	57,008	—
$ 56,603	$ 56,618	$ 57,516	$ 898	$ 56,603	$ 56,618	$ 57,911	$ 1,293

LOS ANGELES UNIFIED SCHOOL DISTRICT
Capital Projects Funds
Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual
Year Ended June 30, 2017
(in thousands)

	Building			
	Budget			Variance with Final Budget – Favorable (Unfavorable)
	Original	Final	Actual	
Revenues:				
Federal revenues	$ —	$ —	$ —	$ —
Other state revenues	—	—	—	—
Other local revenues	675	675	662	(13)
Total Revenues	675	675	662	(13)
Expenditures:				
Current:				
Classified salaries	—	—	—	—
Employee benefits	—	—	—	—
Books and supplies	—	—	—	—
Services and other operating expenditures	—	—	—	—
Capital outlay	567	162	—	162
Total Expenditures	567	162	—	162
Excess (Deficiency) of Revenues Over (Under) Expenditures	108	513	662	149
Other Financing Sources (Uses):				
Transfers in	—	—	—	—
Transfers out	—	—	—	—
Total Other Financing Sources (Uses)	—	—	—	—
Net Changes in Fund Balances	108	513	662	149
Fund Balances, July 1, 2016	8,806	8,175	8,175	—
Fund Balances, June 30, 2017	$ 8,914	$ 8,688	$ 8,837	$ 149

See accompanying independent auditor's report.

Capital Facilities Account				State School Building Lease – Purchase			
Budget			Variance with Final Budget – Favorable	Budget			Variance with Final Budget – Favorable
Original	Final	Actual	(Unfavorable)	Original	Final	Actual	(Unfavorable)
$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —
—	—	—	—	—	—	—	—
80,140	80,140	92,750	12,610	—	—	133	133
80,140	80,140	92,750	12,610	—	—	133	133
519	519	435	84	—	—	—	—
235	235	206	29	—	—	—	—
34	34	2	32	—	—	—	—
30,967	30,966	722	30,244	—	—	—	—
32,981	36,340	35,448	892	6,011	6,013	12	6,001
64,736	68,094	36,813	31,281	6,011	6,013	12	6,001
15,404	12,046	55,937	43,891	(6,011)	(6,013)	121	6,134
—	6,718	6,718	—	—	—	—	—
(9,577)	(9,632)	(9,626)	6	—	—	—	—
(9,577)	(2,914)	(2,908)	6	—	—	—	—
5,827	9,132	53,029	43,897	(6,011)	(6,013)	121	6,134
184,246	180,941	180,941	—	6,011	6,013	6,013	—
$ 190,073	$ 190,073	$ 233,970	$ 43,897	$ —	$ —	$ 6,134	$ 6,134

(Continued)

LOS ANGELES UNIFIED SCHOOL DISTRICT
Capital Projects Funds
Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual (Continued)
Year Ended June 30, 2017
(in thousands)

	County School Facilities Bonds			
	Budget			Variance with Final Budget – Favorable (Unfavorable)
	Original	Final	Actual	
Revenues:				
Federal revenues	$ —	$ —	$ —	$ —
Other state revenues	4,089	4,089	(587)	(4,676)
Other local revenues	3,220	3,220	4,106	886
Total Revenues	7,309	7,309	3,519	(3,790)
Expenditures:				
Current:				
Classified salaries	—	5,153	1,804	3,349
Employee benefits	—	2,151	834	1,317
Books and supplies	—	454	2	452
Services and other operating expenditures	—	6,797	2,068	4,729
Capital outlay	100,771	25,760	25,108	652
Total Expenditures	100,771	40,315	29,816	10,499
Excess (Deficiency) of Revenues Over (Under) Expenditures	(93,462)	(33,006)	(26,297)	6,709
Other Financing Sources (Uses):				
Transfers in	—	5,539	5,539	—
Transfers out	—	(118,889)	(118,889)	—
Total Other Financing Sources (Uses)	—	(113,350)	(113,350)	—
Net Changes in Fund Balances	(93,462)	(146,356)	(139,647)	6,709
Fund Balances, July 1, 2016	430,018	432,913	432,913	—
Fund Balances, June 30, 2017	$ 336,556	$ 286,557	$ 293,266	$ 6,709

See accompanying independent auditors' report.

Special Reserve – Community Redevelopment Agency				Special Reserve			
Budget			Variance with Final Budget – Favorable	Budget			Variance with Final Budget – Favorable
Original	Final	Actual	(Unfavorable)	Original	Final	Actual	(Unfavorable)
$ —	$ —	$ —	$ —	$ —	$ 100	$ 100	$ —
—	—	—	—	—	1,452	1,363	(89)
12,869	12,869	28,215	15,346	16,185	19,341	7,842	(11,499)
12,869	12,869	28,215	15,346	16,185	20,893	9,305	(11,588)
368	1,568	1,518	50	—	2,376	1,177	1,199
653	801	787	14	—	1,091	521	570
—	150	102	48	—	1,182	320	862
92	552	434	118	—	10,269	1,703	8,566
23,826	24,622	—	24,622	21,872	19,527	5,991	13,536
24,939	27,693	2,841	24,852	21,872	34,445	9,712	24,733
(12,070)	(14,824)	25,374	40,198	(5,687)	(13,552)	(407)	13,145
—	—	—	—	—	1,065	1,065	—
(15,000)	(20,119)	(20,119)	—	—	(431)	(431)	—
(15,000)	(20,119)	(20,119)	—	—	634	634	—
(27,070)	(34,943)	5,255	40,198	(5,687)	(12,918)	227	13,145
36,340	44,214	44,214	—	77,362	84,593	84,593	—
$ 9,270	$ 9,271	$ 49,469	$ 40,198	$ 71,675	$ 71,675	$ 84,820	$ 13,145

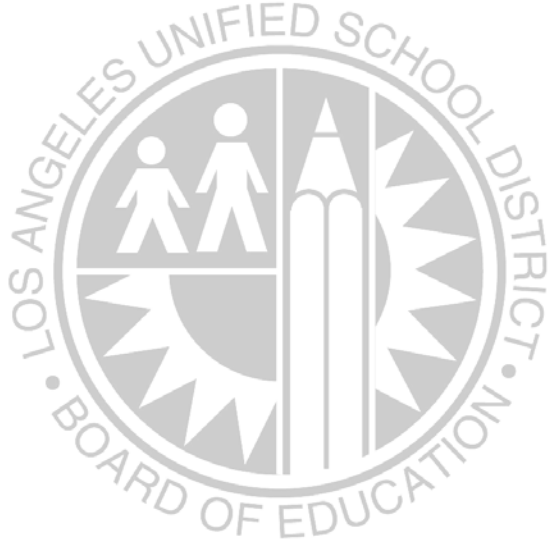
(Continued)

LOS ANGELES UNIFIED SCHOOL DISTRICT
Capital Projects Funds
Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual (Continued)
Year Ended June 30, 2017
(in thousands)

	Special Reserve – FEMA – Earthquake			
	Budget			Variance with Final Budget – Favorable (Unfavorable)
	Original	Final	Actual	
Revenues:				
Federal revenues	$ —	$ —	$ —	$ —
Other state revenues	—	—	—	—
Other local revenues	—	—	45	45
Total Revenues	—	—	45	45
Expenditures:				
Current:				
Classified salaries	—	274	71	203
Employee benefits	—	111	32	79
Books and supplies	—	55	42	13
Services and other operating expenditures	—	2,262	91	2,171
Capital outlay	5,776	2,820	2,035	785
Total Expenditures	5,776	5,522	2,271	3,251
Excess (Deficiency) of Revenues Over (Under) Expenditures	(5,776)	(5,522)	(2,226)	3,296
Other Financing Sources (Uses):				
Transfers in	—	—	—	—
Transfers out	—	—	—	—
Total Other Financing Sources (Uses)	—	—	—	—
Net Changes in Fund Balances	(5,776)	(5,522)	(2,226)	3,296
Fund Balances, July 1, 2016	5,885	5,632	5,632	—
Fund Balances, June 30, 2017	$ 109	$ 110	$ 3,406	$ 3,296

See accompanying independent auditors' report.

Special Reserve – FEMA – Hazard Mitigation				Total			
Budget			Variance with Final Budget – Favorable (Unfavorable)	Budget			Variance with Final Budget – Favorable (Unfavorable)
Original	Final	Actual		Original	Final	Actual	
$ —	$ —	$ —	$ —	$ —	$ 100	$ 100	$ —
—	—	—	—	4,089	5,541	776	(4,765)
—	—	23	23	113,089	116,245	133,776	17,531
—	—	23	23	117,178	121,886	134,652	12,766
—	—	—	—	887	9,890	5,005	4,885
—	—	—	—	888	4,389	2,380	2,009
—	—	—	—	34	1,875	468	1,407
—	—	—	—	31,059	50,846	5,018	45,828
—	—	—	—	191,804	115,244	68,594	46,650
—	—	—	—	224,672	182,244	81,465	100,779
—	—	23	23	(107,494)	(60,358)	53,187	113,545
—	—	—	—	—	13,322	13,322	—
—	—	—	—	(24,577)	(149,071)	(149,065)	6
—	—	—	—	(24,577)	(135,749)	(135,743)	6
—	—	23	23	(132,071)	(196,107)	(82,556)	113,551
2,073	2,074	2,074	—	750,741	764,555	764,555	—
$ 2,073	$ 2,074	$ 2,097	$ 23	$ 618,670	$ 568,448	$ 681,999	$ 113,551


LOS ANGELES UNIFIED SCHOOL DISTRICT
BOARD OF EDUCATION

LOS ANGELES UNIFIED SCHOOL DISTRICT

Internal Service Funds

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

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

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

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

Assets:	Health and Welfare Benefits	Workers' Compensation Self-Insurance	Liability Self-Insurance	Total
Cash in county treasury, in banks, and on hand	$ 275,671	$ 519,101	$ 134,251	$ 929,023
Accounts receivable – net	23,846	—	—	23,846
Accrued interest and dividends receivable	1,902	2,578	510	4,990
Prepaids	47,202	—	775	47,977
Other assets	5,801	—	—	5,801
Total Assets	354,422	521,679	135,536	1,011,637
Deferred Outflows of Resources	1,205	1,896	1,048	4,149
Liabilities:				
Current:				
Vouchers and accounts payable	1,041	2,246	55	3,342
Accrued payroll	202	357	275	834
Other payables	20,064	—	87	20,151
Estimated liability for self-insurance claims	22,907	99,192	85,152	207,251
Total Current Liabilities	44,214	101,795	85,569	231,578
Noncurrent:				
Estimated liability for self-insurance claims	—	396,456	47,256	443,712
Net pension liability	3,136	5,066	2,809	11,011
Total Liabilities	47,350	503,317	135,634	686,301
Deferred Inflows of Resources	581	926	513	2,020
Total Net Position – Unrestricted	$ 307,696	$ 19,332	$ 437	$ 327,465

See accompanying independent auditor's report.

LOS ANGELES UNIFIED SCHOOL DISTRICT
Internal Service Funds
Combining Statement of Revenues, Expenses, and Changes in Fund Net Position
Year Ended June 30, 2017
(in thousands)

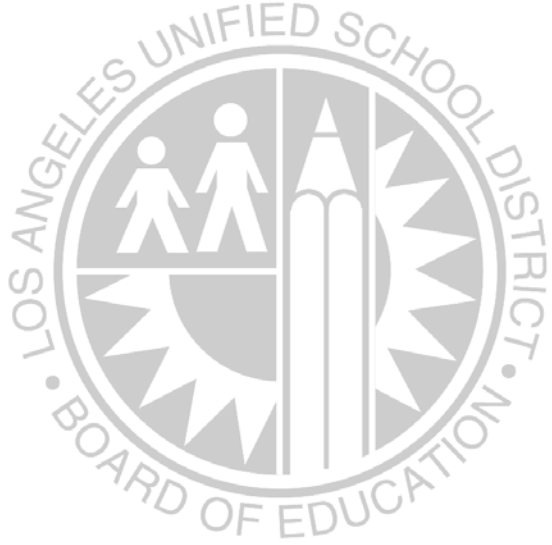
	Health and Welfare Benefits	Workers' Compensation Self-Insurance	Liability Self-Insurance	Total
Operating Revenues:				
In-District premiums	$ 1,011,178	$ 132,729	$ 48,831	$ 1,192,738
Others	2,207	1	—	2,208
Total Operating Revenues	1,013,385	132,730	48,831	1,194,946
Operating Expenses:				
Certificated salaries	—	276	169	445
Classified salaries	2,035	2,993	1,709	6,737
Employee benefits	987	2,255	1,665	4,907
Supplies	214	52	13	279
Premiums and claims expenses	1,016,275	104,385	47,234	1,167,894
Claims administration	—	12,952	324	13,276
Other contracted services	1,461	431	399	2,291
Total Operating Expenses	1,020,972	123,344	51,513	1,195,829
Operating Income (Loss)	(7,587)	9,386	(2,682)	(883)
Nonoperating Revenues (Expenses):				
Investment income	4,070	5,546	1,441	11,057
Miscellaneous expense	—	(45)	—	(45)
Total Nonoperating Revenues	4,070	5,501	1,441	11,012
Changes in Net Position	(3,517)	14,887	(1,241)	10,129
Total Net Position, July 1, 2016	311,213	4,445	1,678	317,336
Total Net Position, June 30, 2017	$ 307,696	$ 19,332	$ 437	$ 327,465

See accompanying independent auditor's report.

LOS ANGELES UNIFIED SCHOOL DISTRICT
Internal Service Funds
Combining Statement of Cash Flows
Year Ended June 30, 2017
(in thousands)

	Health and Welfare Benefits	Workers' Compensation Self-Insurance	Liability Self-Insurance	Total
Cash Flows from Operating Activities:				
Cash payments to employees for services	$ (3,171)	$ (4,817)	$ (2,627)	$ (10,615)
Cash payments for goods and services	(1,043,896)	(114,321)	(129,346)	(1,287,563)
Receipts from assessment to other funds	1,011,178	132,858	48,831	1,192,867
Other operating revenue	2,207	1	—	2,208
Net Cash Provided (Used) by Operating Activities	(33,682)	13,721	(83,142)	(103,103)
Cash Flows from Investing Activities:				
Earnings on investments	3,253	4,481	1,085	8,819
Net Cash Provided by Investing Activities	3,253	4,481	1,085	8,819
Net Increase (Decrease) in Cash and Cash Equivalents	(30,429)	18,202	(82,057)	(94,284)
Cash and Cash Equivalents, July 1	306,100	500,899	216,308	1,023,307
Cash and Cash Equivalents, June 30	$ 275,671	$ 519,101	$ 134,251	$ 929,023
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:				
Operating Income (Loss)	$ (7,587)	$ 9,386	$ (2,682)	$ (883)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Net decrease in pension expense from actuarial valuation	(124)	665	838	1,379
Change in Assets: Decrease (Increase)				
Accounts receivable	(10,535)	129	—	(10,406)
Prepaids	(1,531)	—	388	(1,143)
Other assets	(345)	—	—	(345)
Change in Liabilities: Increase (Decrease)				
Vouchers and accounts payable	865	238	(417)	686
Accrued payroll	(25)	42	79	96
Other payables	(15,908)	—	2	(15,906)
Estimated liability for self-insurance claims – current	1,508	(3,850)	(92,372)	(94,714)
Estimated liability for self-insurance claims – noncurrent	—	7,111	11,022	18,133
Total Adjustments	(26,095)	4,335	(80,460)	(102,220)
Net Cash Provided (Used) by Operating Activities	$ (33,682)	$ 13,721	$ (83,142)	$ (103,103)

See accompanying independent auditor's report.


LOS ANGELES UNIFIED SCHOOL DISTRICT
BOARD OF EDUCATION

LOS ANGELES UNIFIED SCHOOL DISTRICT

Fiduciary Funds

Agency Funds

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

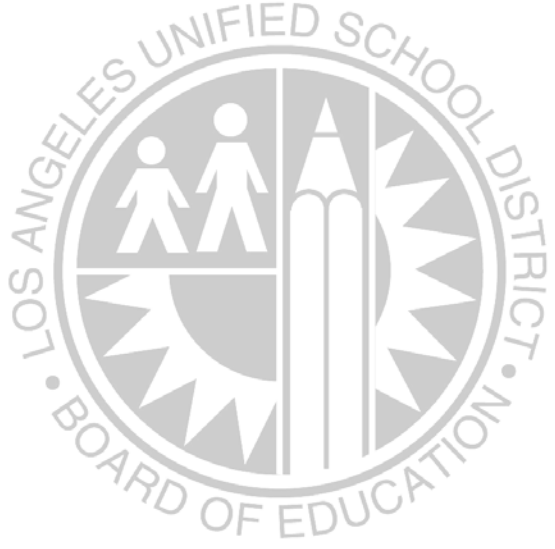
The Student Body Fund was established to account for cash held by the District on behalf of the student bodies at various school sites.

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

LOS ANGELES UNIFIED SCHOOL DISTRICT
Fiduciary Funds – Agency Funds
Combining Statement of Changes in Assets and Liabilities
Year Ended June 30, 2017
(in thousands)

	Balance July 1, 2016	Additions	Deductions	Balance June 30, 2017
Payroll Agency Fund				
Assets				
Cash in county treasury, in banks, and on hand	$ 95,278	$ 11,993,426	$ 11,949,142	$ 139,562
Accounts Receivable	961	3,342	4,303	—
Total Assets	$ 96,239	$ 11,996,768	$ 11,953,445	$ 139,562
Liabilities				
Other payables	$ 96,239	$ 13,089,931	$ 13,046,608	$ 139,562
Total Liabilities	$ 96,239	$ 13,089,931	$ 13,046,608	$ 139,562
Attendance Incentive Reserve Fund				
Assets				
Cash in county treasury, in banks, and on hand	$ 16,698	$ 950	$ 17,564	$ 84
Accounts Receivable	1	—	—	1
Accrued interest receivable	52	282	265	69
Total Assets	$ 16,751	$ 1,232	$ 17,829	$ 154
Liabilities				
Other payables	$ 16,751	$ 302	$ 16,899	$ 154
Total Liabilities	$ 16,751	$ 302	$ 16,899	$ 154
Student Body Fund				
Assets				
Cash in county treasury, in banks, and on hand	$ 21,935	$ 55,062	$ 51,903	$ 25,094
Total Assets	$ 21,935	$ 55,062	$ 51,903	$ 25,094
Liabilities				
Other payables	$ 21,935	$ 55,062	$ 51,903	$ 25,094
Total Liabilities	$ 21,935	$ 55,062	$ 51,903	$ 25,094
Total Agency Funds				
Assets				
Cash in county treasury, in banks, and on hand	$ 133,911	$ 12,049,438	$ 12,018,609	$ 164,740
Accounts receivable – net	962	3,342	4,303	1
Accrued interest receivable	52	282	265	69
Total Assets	$ 134,925	$ 12,053,062	$ 12,023,177	$ 164,810
Liabilities				
Other payables	$ 134,925	$ 13,145,295	$ 13,115,410	$ 164,810
Total Liabilities	$ 134,925	$ 13,145,295	$ 13,115,410	$ 164,810

See accompanying independent auditor's report.


LOS ANGELES UNIFIED SCHOOL DISTRICT
BOARD OF EDUCATION

SUPPLEMENTARY INFORMATION

LOS ANGELES UNIFIED SCHOOL DISTRICT
Assessed Value of Taxable Property
Last Ten Fiscal Years
(in thousands)
(Unaudited)

Fiscal Year	Secured*	Unsecured*	Total Assessed Value	Total District Tax Rates	Increase (Decrease) Over Preceding Year Amount	Increase (Decrease) Over Preceding Year Rate	Total A.D.A.**	Assessed Value per Unit of A.D.A.
2007-2008	$ 419,052,509	$ 21,861,881	$ 440,914,390	1.123342	38,305,553	9.51 %	700,073	$ 630
2008-2009	451,191,875	23,597,923	474,789,798	1.124782	33,875,408	7.68	693,633	684
2009-2010	451,127,882	23,849,409	474,977,291	1.151809	187,493	0.04	576,963 [a]	823
2010-2011	442,092,473	21,753,078	463,845,551	1.186954	(11,131,740)	(2.34)	565,450 [a]	820
2011-2012	447,830,204	21,265,021	469,095,225	1.168187	5,249,674	1.13	547,592 [a]	857
2012-2013	458,767,053	21,308,439	480,075,492	1.175606	10,980,267	2.34	534,345 [a]	898
2013-2014	482,043,584	21,634,336	503,677,920	1.146439	23,602,428	4.92	527,562 [b]	955
2014-2015	510,371,502	22,562,705	532,934,207	1.146881	29,256,287	5.81	515,745	1,033
2015-2016	546,807,059	23,362,405	570,169,464	1.129709	37,235,257	6.99	503,213	1,133
2016-2017	581,473,213	24,495,794	605,969,007	1.131096	35,799,543	6.28	489,383	1,238

* Source: Los Angeles County Auditor-Controller "Taxpayers' Guide." Taxes which constitute a lien on real property are referred to as "secured." Almost all real property taxes are secured. Most personal property taxes are "unsecured." Some taxes on personal property may also be secured to the real property of the assessee, upon request and subject to certain conditions.

** Source: A.D.A. – Average Daily Attendance, Annual Report

[a] Adult and Summer School programs were not collected due to changes made by Education Code Section 42605. Districts were not required to operate the program or follow program requirements. Revenue for these years were based on the same relative proportion that the District received for these programs in fiscal year 2007-08.

[b] Starting 2013-14, Local Control Funding Formula (LCFF) replaced the previous K-12 finance system with a new funding formula which is composed of uniform base grants by grade span (K-3, 4-6, 7-8, 9-12).

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

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

	2017			2008		
Rank	Property Owner	Assessed Valuation	% of Total [1]	Property Owner	Assessed Valuation	% of Total [2]
1	Douglas Emmett LLC	$ 2,762,607	0.48%	Douglas Emmett Realty Funds	$ 2,544,804	0.61%
2	Universal Studios LLC	2,627,677	0.45	Arden Realty LP	1,658,297	0.40
3	Essex Portfolio LP	1,432,628	0.25	Universal Studios LLC	1,370,736	0.33
4	FSP South Flower Street Associates LLC	882,131	0.15	Anheuser Busch Inc.	959,064	0.23
5	Rochelle H. Sterling	828,892	0.14	Warner Bros. Entertainment Inc.	601,232	0.14
6	Anheuser Busch Inc.	750,204	0.13	Maguire Partners 355 S. Grand LLC	555,773	0.13
7	One Hundred Towers LLC	627,394	0.11	One Hundred Towers LLC	554,616	0.13
8	Century City Mall LLC	626,748	0.11	Duesenberg Investment Co.	550,447	0.13
9	Trizec 333 LA LLC	616,102	0.11	CA Colorado Center LLC	452,158	0.11
10	Maguire Partners 355 S. Grand LLC	576,182	0.10	Trizec 333 LA LLC	429,000	0.10
11	Tishman Speyer Archstone Smith	561,090	0.10	Topanga Plaza LP	422,150	0.10
12	Olympic and Georgia Partners LLC	546,298	0.09	Paramount Pictures Corp.	415,281	0.10
13	Paramount Pictures Corp.	522,377	0.09	Rreef America REIT II Corp. BBBB	412,840	0.10
14	LA Live Properties LLC	522,324	0.09	Twentieth Century Fox Film Corp.	370,349	0.09
15	Hines REIT West LA Portfolio LP	521,084	0.09	Trizec 601 Figueroa LLC	362,000	0.09
16	Westfield Topanga Owner LP	510,725	0.09	Walt Disney Productions, Inc.	359,691	0.09
17	Palment Flower Street Properties	507,788	0.09	Century City Mall LLC	330,471	0.08
18	Maguire Properties 555 W. Fifth	505,490	0.09	AP Properties Ltd.	317,385	0.08
19	Taubman-Beverly Center	496,502	0.09	1999 Stars LLC	313,153	0.07
20	Realco Intermediary LLC	487,018	0.08	Sunstone Century Star LLC	306,019	0.07
		$ 16,911,261	2.93%		$ 13,285,466	3.18%

[1] 2016-17 Local Secured Assessed Valuation: $581,302,846

[2] 2007-08 Local Secured Assessed Valuation: $418,972,149

Source: California Municipal Statistics, Inc.

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

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

Fiscal Year	Total Tax Levy	ERAF Funds [1]	Current Tax Collections	Percent of Current Taxes Collected	Delinquent Tax Collections [2]	Total Tax Collections	Ratio of Total Tax Collections to Total Tax Levy
2007-2008	$ 1,345,503	$ (42,753)	$ 1,241,733	95.32%	$ 76,816	$ 1,318,549	101.21%
2008-2009	1,481,739	(2,660)	1,372,078	92.77	114,292	1,486,370	100.49
2009-2010	1,597,579	41,685	1,505,933	91.87	112,277	1,618,210	98.72
2010-2011	1,711,575	29,419	1,602,345	92.04	102,970	1,705,315	97.95
2011-2012	1,663,061	(3,533)	1,520,001	91.59	97,842	1,617,843	97.49
2012-2013	1,731,129	114,465	1,798,032	97.42	132,847	1,930,879	104.62
2013-2014	1,652,164	26,846	1,684,486	100.33	29,409	1,713,895	102.08
2014-2015	1,779,935	35,339	1,798,657	99.08	38,226	1,836,883	101.19
2015-2016	1,799,477	171,532	1,959,111	99.40	31,529	1,990,640	101.00
2016-2017	1,904,567	232,966	2,107,292	98.59	25,977	2,133,269	99.80

[1] Educational Revenue Augmentation Funds (ERAF) are added to tax levies received by the District.

[2] Includes prior years' delinquencies. The Auditor-Controller has determined that they cannot provide delinquent tax information by levy year.

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

LOS ANGELES UNIFIED SCHOOL DISTRICT
Average Daily Attendance/Hours of Attendance
Annual Report
Last Ten Fiscal Years
(Unaudited)

	2007-2008	2008-2009
Elementary:		
Kindergarten	44,705	44,393
Grades 1-3	141,266	138,384
Grades 4-6	136,245	131,692
Grades 7-8	90,769	86,871
Special Education	19,427	19,897
County Special Education	—	—
Opportunity Schools	11	10
Home or Hospital	170	123
Community Day Schools	122	122
County Community Schools	26	22
Total Elementary	432,741	421,514
Secondary:		
Regular Classes	151,852	151,451
Special Education	11,030	10,905
County Special Education	—	—
Compulsory Continuation Education	2,837	3,085
Opportunity Schools	433	455
Home or Hospital	130	109
Community Day Schools	692	772
County Community Schools	84	81
Total Secondary	167,058	166,858
Block grant funded fiscally affiliated charters	6,482	6,655
Total Block Grant Funded Fiscally Affiliated Charters	6,482	6,655
Adult program:		
ROC/P Mandated	20,309	23,379
Classes for Adults – Mandated	65,684	66,905
Concurrently Enrolled Adults	7,756	8,297
Full-time Independent Study*	43	25
Total Adult Program	93,792	98,606
Total Average Daily Attendance	700,073	693,633
Summer School Hours of Attendance		
Elementary	10,195,908	8,567,366
Secondary	8,336,362	7,203,657
Dependent Charter	***	***
Total Hours	18,532,270	15,771,023

* Students 21 years or older and students 19 or older not continuously enrolled since their 18th birthday, participating in full-time independent study.

** Not collected due to changes made by Education Code Section 42605. For 2008-09 through 2012-13, Districts were not required to operate the program or follow program requirements. Revenue for these years were be based on the same relative proportion that the District received for these programs in fiscal year 2007-08.

*** Included with Elementary and Secondary hours.

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

2009-2010	2010-2011	2011-2012	2012-2013
43,906	43,364	43,737	42,093
134,001	130,846	127,081	120,880
127,455	124,800	119,257	111,082
82,465	78,704	73,733	68,461
19,204	19,250	18,522	17,966
1	1	1	1
7	7	8	8
118	127	107	118
126	85	94	103
21	11	15	8
407,304	397,195	382,555	360,720
146,707	143,979	135,549	129,037
10,960	11,252	10,709	10,513
1	—	1	—
3,339	3,507	3,602	3,623
492	494	506	492
99	98	101	101
915	911	933	852
240	148	137	175
162,753	160,389	151,538	144,793
6,906	7,866	13,499	28,832
6,906	7,866	13,499	28,832
**	**	**	**
**	**	**	**
**	**	**	**
**	**	**	**
—	—	—	—
576,963	565,450	547,592	534,345
**	**	**	**
**	**	**	**
**	**	**	**
—	—	—	—

(Continued)

LOS ANGELES UNIFIED SCHOOL DISTRICT
Average Daily Attendance/Hours of Attendance
Annual Report (Continued)
Last Ten Fiscal Years
(Unaudited)

	2013-2014	2014-2015	2015-2016	2016-2017
District:				
Kindergarten-Grade 3	168,219.59	163,766.40	159,034.61	153,237.92
Grades 4-6	114,458.03	112,308.60	111,528.46	108,975.84
Grades 7-8	71,338.82	68,415.44	65,591.77	64,024.98
Grades 9-12	133,233.66	130,676.24	126,932.24	121,581.72
Total District	487,250.10	475,166.68	463,087.08	447,820.46
County:				
Kindergarten-Grade 3	0.00	0.00	0.00	0.00
Grades 4-6	1.23	1.38	1.23	0.00
Grades 7-8	7.85	5.12	3.18	2.71
Grades 9-12	670.05	628.23	489.84	417.13
Total County	679.13	634.73	494.25	419.84
Affiliated Charter Schools:				
Kindergarten-Grade 3	16,012.86	15,913.38	15,866.33	15,792.20
Grades 4-6	10,393.49	10,505.83	10,545.58	10,552.33
Grades 7-8	5,758.33	6,070.36	6,000.47	6,037.96
Grades 9-12	7,468.47	7,454.27	7,219.75	8,760.14
Total Affiliated Charter Schools	39,633.15	39,943.84	39,632.13	41,142.63
Total Average Daily Attendance	527,562.38	515,745.25	503,213.46	489,382.93

Note: Starting 2013-14, Local Control Funding Formula (LCFF) replaced the previous K-12 finance system with a new funding formula which is composed of uniform base grants by grade span (K-3, 4-6, 7-8, 9-12).

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

LOS ANGELES UNIFIED SCHOOL DISTRICT
Organization Structure
Year Ended June 30, 2017

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

Geographical Area: 710 square miles

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

Form of Government: The District is governed by a seven-member Board of Education elected by voters within the district to serve alternating five-year terms. These terms were extended to five years for members elected in 2015 and thereafter.

Name	Expiration of Term
Mónica García, President	December 11, 2022
George McKenna	December 13, 2020
Scott Schmerelson	December 13, 2020
Nick Melvoin	December 11, 2022
Ref Rodriguez	December 13, 2020
Kelly Gonez	December 11, 2022
Richard Vladovic	December 13, 2020

Name	Title
Michelle King	Superintendent of Schools
Vivian Ekchian	Associate Superintendent
Beth Kauffman	Associate Superintendent
Frances Gipson	Chief Academic Officer
Diane Pappas	Chief Executive Officer
Scott Price	Chief Financial Officer
Mark Hovatter	Chief Facilities Executive
Alma Peña-Sanchez	Chief of Staff
Shannon Haber	Chief Communications Officer
Kenneth Bramlett	Inspector General
David Holmquist	General Counsel
Najeeb Khoury	Director, Labor Relations
Steven Zipperman	Chief of Police
Karla Gould	Personnel Director
Jefferson Crain	Board Secretariat
Glenn Daley	Director, Independent Analysis Unit
Robert Newman	Special Assistant, Office of the Superintendent
Nicole Elam-Ellis	Excecutive Director, Office of the Superintendent
Jeffrey Dunn	Excecutive Director, Government Relations & Legislative Affairs

Date of Establishment: 1854 as the Common Schools for the City of Los Angeles and became a unified school district in 1960.

Fiscal Year: July 1 – June 30

Number of Schools:

(As of October)	2013-2014	2014-2015	2015-2016	2016-2017
Elementary Schools	457	455	451	449
Middle/Junior High Schools	83	84	83	82
Senior High Schools	100	96	97	95
Options Schools	55	55	54	54
Special Education Schools	15	15	15	14
Magnet Schools	34	39	43	47
Magnet Centers	148	152	156	168
Community Adult Schools	6	6	2	2
Regional Occupational Centers	3	3	6	6
Skills Centers	1	1	2	3
Regional Occupational Program	1	1	1	1
Early Education Centers	86	86	86	86
Infant Centers	4	4	4	4
Primary School Centers	18	18	18	19
Multi-level Schools	22	20	23	24
Total Schools and Centers	1,033	1,035	1,041	1,054
Independent Charter Schools	196	211	221	225

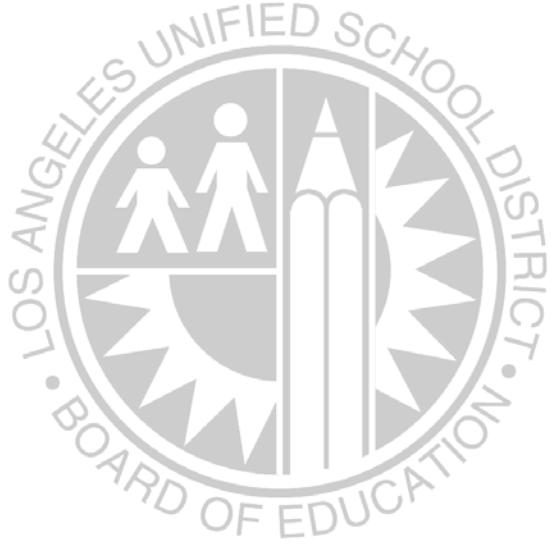
See accompanying independent auditor's report.

LOS ANGELES UNIFIED SCHOOL DISTRICT
Schedule of Average Daily Attendance/Hours of Attendance
Year Ended June 30, 2017

	Second Period Report	Annual Report	Audited Second Period Report	Audited Annual Report
District				
Kindergarten-Grade 3	153,350.82	153,237.92	153,343.76 *	153,231.62 *
Grades 4-6	109,065.29	108,975.84	109,065.29	108,975.84
Grades 7-8	64,121.83	64,024.98	64,121.83	64,024.98
Grades 9-12	122,350.31	121,581.72	122,350.31	121,581.72
Total District	448,888.25	447,820.46	448,881.19	447,814.16
County				
Kindergarten-Grade 3	0.00	0.00	0.00	0.00
Grades 4-6	0.00	0.00	0.00	0.00
Grades 7-8	2.07	2.71	2.07	2.71
Grades 9-12	430.15	417.13	430.15	417.13
Total County	432.22	419.84	432.22	419.84
Affiliated Charter Schools				
Kindergarten-Grade 3	15,808.04	15,792.20	15,808.04	15,792.20
Grades 4-6	10,571.02	10,552.33	10,571.02	10,552.33
Grades 7-8	6,061.04	6,037.96	6,061.04	6,037.96
Grades 9-12	8,837.70	8,760.14	8,837.70	8,760.14
Total Affiliated Charter Schools	41,277.80	41,142.63	41,277.80	41,142.63
Total Average Daily Attendance	490,598.27	489,382.93	490,591.21	489,376.63

* Adjustments based on audit findings S-2017-004 and S-2017-007.

See accompanying independent auditor's report.


LOS ANGELES UNIFIED SCHOOL DISTRICT
BOARD OF EDUCATION

LOS ANGELES UNIFIED SCHOOL DISTRICT
Schedule of Average Daily Attendance – Affiliated Charter Schools
Year Ended June 30, 2017

	Name of Affiliated Charter School	CDS Code	TK/K to Grade 3 ADA			
			Total		Classroom-based	
			Second Period Report	Annual Report	Second Period Report	Annual Report
1	Alexander (Dr. Theodore, Jr.) Science Center	19 64733 0102491	425.94	424.84	425.94	424.84
2	Beckford Charter for Enriched Studies	19 64733 6015986	366.64	365.30	366.64	365.30
3	Calabash Charter Academy	19 64733 6016240	285.13	283.87	285.13	283.87
4	Calahan Community Charter	19 64733 6016257	351.27	350.90	351.27	350.90
5	Calvert Charter for Enriched Studies	19 64733 6016265	272.31	272.35	272.31	272.35
6	Canyon Charter Elementary School	19 64733 6016323	259.16	260.14	259.16	260.14
7	Carpenter Community Charter School	19 64733 6016356	662.25	662.75	662.25	662.75
8	Castlebay Lane Elementary School	19 64733 6071435	489.03	487.92	489.03	487.92
9	Chandler Learning Academy	19 64733 6016422	363.25	362.73	363.25	362.73
10	Chatsworth Charter High School	19 64733 1931708	0.00	0.00	0.00	0.00
11	Cleveland (Grover) Charter High School	19 64733 1931864	0.00	0.00	0.00	0.00
12	Colfax Charter Elementary School	19 64733 6016562	426.01	426.51	426.01	426.51
13	Community Magnet Charter Elementary School	19 64733 6094726	266.05	265.05	266.05	265.05
14	Darby Avenue Charter	19 64733 6016703	300.84	299.80	300.84	299.80
15	Dearborn Elementary Charter Academy	19 64733 6016729	341.23	340.73	341.23	340.73
16	Dixie Canyon Community Charter School	19 64733 6016778	495.33	494.68	495.33	494.68
17	El Oro Way Charter For Enriched Studies	19 64733 6016869	295.45	294.19	295.45	294.19
18	Emelita Academy Charter	19 64733 6016901	263.74	263.57	263.74	263.57
19	Emerson Community Charter	19 64733 6057988	0.00	0.00	0.00	0.00
20	Enadia Technology Enriched Charter	19 64733 0117036	164.35	164.61	164.35	164.61
21	Encino Charter Elementary School	19 64733 6016935	365.42	365.47	365.42	365.47
22	Germain Academy for Academic Achievement	19 64733 6017263	337.63	336.18	337.63	336.18
23	Granada Elementary Community Charter	19 64733 6017339	294.35	294.39	294.35	294.39
24	Hale (George Ellery) Charter Academy	19 64733 6061477	0.00	0.00	0.00	0.00
25	Hamlin Charter Academy	19 64733 6017438	244.47	243.93	244.47	243.93
26	Haynes Charter For Enriched Studies	19 64733 6017529	273.17	272.41	273.17	272.41
27	Hesby Oaks Leadership Charter	19 64733 0112060	216.06	215.96	216.06	215.96
28	Justice Street Academy Charter School	19 64733 6017693	257.16	256.44	257.16	256.44
29	Kenter Canyon Elementary Charter	19 64733 6017701	358.86	359.84	358.86	359.84
30	Knollwood Preparatory Academy	19 64733 6017743	272.53	270.83	272.53	270.83
31	Lockhurst Drive Charter Elementary	19 64733 6017891	317.86	317.01	317.86	317.01
32	Marquez Charter School	19 64733 6018063	338.73	338.01	338.73	338.01
33	Millikan (Robert A.) Affiliated Charter and Performing Arts Magnet Middle School	19 64733 6058150	0.00	0.00	0.00	0.00
34	Nestle Avenue Charter School	19 64733 6018287	373.34	373.31	373.34	373.31
35	Nobel (Alred B.) Middle School	19 64733 6061543	0.00	0.00	0.00	0.00
36	Open Charter Magnet School	19 64733 6097927	255.65	255.20	255.65	255.20
37	Palisades Charter Elementary	19 64733 6018634	299.96	299.57	299.96	299.57
38	Plainview Academic Charter Academy	19 64733 6018725	198.20	198.76	198.20	198.76
39	Pomelo Community Charter School	19 64733 6018774	366.87	366.54	366.87	366.54
40	Revere (Paul) Charter Middle School	19 64733 6058267	0.00	0.00	0.00	0.00
41	Riverside Drive Charter School	19 64733 6018923	433.17	435.60	433.17	435.60
42	Serrania Avenue Charter School for Enriched Studies	19 64733 6019111	452.50	451.13	452.50	451.13
43	Sherman Oaks Elementary Charter School	19 64733 6019186	584.31	584.32	584.31	584.32
44	Superior Street Elementary	19 64733 6019392	335.66	336.04	335.66	336.04
45	Sylmar Charter High School	19 64733 1938554	0.00	0.00	0.00	0.00
46	Taft Charter High School	19 64733 1938612	0.00	0.00	0.00	0.00
47	Topanga Elementary Charter School	19 64733 6019525	198.94	199.28	198.94	199.28
48	Topeka Charter School For Advanced Studies	19 64733 6019533	391.03	391.22	391.03	391.22
49	Van Gogh Charter School	19 64733 6019673	316.84	316.54	316.84	316.54
50	Welby Way Charter Elementary and Gifted–High Ability Magnet	19 64733 6019855	468.98	468.44	468.98	468.44
51	Westwood Charter Elementary School	19 64733 6019939	573.07	573.22	573.07	573.22
52	Wilbur Charter For Enriched Academics	19 64733 6019954	441.80	440.70	441.80	440.70
53	Woodlake Elementary Community Charter	19 64733 6020036	340.05	338.60	340.05	338.60
54	Woodland Hills Elementary Charter For Enriched Studies	19 64733 6020044	473.45	473.32	473.45	473.32
	Total Affiliated Charter Schools Average Daily Attendance		15,808.04	15,792.20	15,808.04	15,792.20

See accompanying independent auditor's report.

Grades 4-6 ADA				Grades 7-8 ADA			
Total		Classroom-based		Total		Classroom-based	
Second Period Report	Annual Report	Second Period Report	Annual Report	Second Period Report	Annual Report	Second Period Report	Annual Report
184.77	184.29	184.77	184.29	0.00	0.00	0.00	0.00
236.98	236.41	236.98	236.41	0.00	0.00	0.00	0.00
134.47	134.31	134.47	134.31	0.00	0.00	0.00	0.00
178.90	177.52	178.90	177.52	0.00	0.00	0.00	0.00
115.83	116.31	115.83	116.31	0.00	0.00	0.00	0.00
116.79	116.13	116.79	116.13	0.00	0.00	0.00	0.00
284.10	283.38	284.10	283.38	0.00	0.00	0.00	0.00
225.74	225.54	225.74	225.54	0.00	0.00	0.00	0.00
121.13	120.66	121.13	120.66	0.00	0.00	0.00	0.00
0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
191.63	191.46	191.63	191.46	0.00	0.00	0.00	0.00
178.43	177.35	178.43	177.35	0.00	0.00	0.00	0.00
165.77	165.06	165.77	165.06	0.00	0.00	0.00	0.00
180.62	180.18	180.62	180.18	0.00	0.00	0.00	0.00
199.62	199.12	199.62	199.12	0.00	0.00	0.00	0.00
175.70	175.57	175.70	175.57	0.00	0.00	0.00	0.00
103.80	104.48	103.80	104.48	0.00	0.00	0.00	0.00
213.94	211.56	213.94	211.56	381.04	376.74	381.04	376.74
81.63	81.85	81.63	81.85	0.00	0.00	0.00	0.00
181.84	181.62	181.84	181.62	0.00	0.00	0.00	0.00
150.40	150.59	150.40	150.59	0.00	0.00	0.00	0.00
136.70	135.89	136.70	135.89	0.00	0.00	0.00	0.00
662.27	657.31	662.27	657.31	1,324.93	1,318.30	1,324.93	1,318.30
133.67	133.68	133.67	133.68	0.00	0.00	0.00	0.00
133.76	133.14	133.76	133.14	0.00	0.00	0.00	0.00
182.52	183.13	182.52	183.13	137.33	136.76	137.33	136.76
114.59	113.36	114.59	113.36	0.00	0.00	0.00	0.00
179.87	180.18	179.87	180.18	0.00	0.00	0.00	0.00
131.37	130.74	131.37	130.74	0.00	0.00	0.00	0.00
132.84	133.22	132.84	133.22	0.00	0.00	0.00	0.00
175.60	175.39	175.60	175.39	0.00	0.00	0.00	0.00
546.63	546.26	546.63	546.26	1,245.48	1,239.13	1,245.48	1,239.13
167.61	167.58	167.61	167.58	0.00	0.00	0.00	0.00
809.94	809.91	809.94	809.91	1,582.48	1,581.19	1,582.48	1,581.19
138.83	138.84	138.83	138.84	0.00	0.00	0.00	0.00
167.43	167.65	167.43	167.65	0.00	0.00	0.00	0.00
103.53	103.77	103.53	103.77	0.00	0.00	0.00	0.00
224.98	224.40	224.98	224.40	0.00	0.00	0.00	0.00
682.89	681.70	682.89	681.70	1,389.78	1,385.84	1,389.78	1,385.84
176.72	178.39	176.72	178.39	0.00	0.00	0.00	0.00
187.34	186.94	187.34	186.94	0.00	0.00	0.00	0.00
210.75	209.08	210.75	209.08	0.00	0.00	0.00	0.00
170.20	170.11	170.20	170.11	0.00	0.00	0.00	0.00
0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
81.31	81.54	81.31	81.54	0.00	0.00	0.00	0.00
176.70	176.82	176.70	176.82	0.00	0.00	0.00	0.00
177.48	177.17	177.48	177.17	0.00	0.00	0.00	0.00
318.55	317.83	318.55	317.83	0.00	0.00	0.00	0.00
248.79	249.67	248.79	249.67	0.00	0.00	0.00	0.00
198.13	198.08	198.13	198.08	0.00	0.00	0.00	0.00
164.94	164.05	164.94	164.05	0.00	0.00	0.00	0.00
212.99	213.11	212.99	213.11	0.00	0.00	0.00	0.00
10,571.02	10,552.33	10,571.02	10,552.33	6,061.04	6,037.96	6,061.04	6,037.96

(Continued)

LOS ANGELES UNIFIED SCHOOL DISTRICT
Schedule of Average Daily Attendance – Affiliated Charter Schools (Continued)
Year Ended June 30, 2017

	Name of Affiliated Charter School	CDS Code	Grades 9-12 ADA			
			Total		Classroom-based	
			Second Period Report	Annual Report	Second Period Report	Annual Report
1	Alexander (Dr. Theodore, Jr.) Science Center	19 64733 0102491	0.00	0.00	0.00	0.00
2	Beckford Charter for Enriched Studies	19 64733 6015986	0.00	0.00	0.00	0.00
3	Calabash Charter Academy	19 64733 6016240	0.00	0.00	0.00	0.00
4	Calahan Community Charter	19 64733 6016257	0.00	0.00	0.00	0.00
5	Calvert Charter for Enriched Studies	19 64733 6016265	0.00	0.00	0.00	0.00
6	Canyon Charter Elementary School	19 64733 6016323	0.00	0.00	0.00	0.00
7	Carpenter Community Charter School	19 64733 6016356	0.00	0.00	0.00	0.00
8	Castlebay Lane Elementary School	19 64733 6071435	0.00	0.00	0.00	0.00
9	Chandler Learning Academy	19 64733 6016422	0.00	0.00	0.00	0.00
10	Chatsworth Charter High School	19 64733 1931708	1,816.99	1,800.99	1,816.99	1,800.99
11	Cleveland (Grover) Charter High School	19 64733 1931864	3,063.57	3,040.85	3,063.57	3,040.85
12	Colfax Charter Elementary School	19 64733 6016562	0.00	0.00	0.00	0.00
13	Community Magnet Charter Elementary School	19 64733 6094726	0.00	0.00	0.00	0.00
14	Darby Avenue Charter	19 64733 6016703	0.00	0.00	0.00	0.00
15	Dearborn Elementary Charter Academy	19 64733 6016729	0.00	0.00	0.00	0.00
16	Dixie Canyon Community Charter School	19 64733 6016778	0.00	0.00	0.00	0.00
17	El Oro Way Charter For Enriched Studies	19 64733 6016869	0.00	0.00	0.00	0.00
18	Emelita Academy Charter	19 64733 6016901	0.00	0.00	0.00	0.00
19	Emerson Community Charter	19 64733 6057988	0.00	0.00	0.00	0.00
20	Enadia Technology Enriched Charter	19 64733 0117036	0.00	0.00	0.00	0.00
21	Encino Charter Elementary School	19 64733 6016935	0.00	0.00	0.00	0.00
22	Germain Academy for Academic Achievement	19 64733 6017263	0.00	0.00	0.00	0.00
23	Granada Elementary Community Charter	19 64733 6017339	0.00	0.00	0.00	0.00
24	Hale (George Ellery) Charter Academy	19 64733 6061477	0.00	0.00	0.00	0.00
25	Hamlin Charter Academy	19 64733 6017438	0.00	0.00	0.00	0.00
26	Haynes Charter For Enriched Studies	19 64733 6017529	0.00	0.00	0.00	0.00
27	Hesby Oaks Leadership Charter	19 64733 0112060	0.00	0.00	0.00	0.00
28	Justice Street Academy Charter School	19 64733 6017693	0.00	0.00	0.00	0.00
29	Kenter Canyon Elementary Charter	19 64733 6017701	0.00	0.00	0.00	0.00
30	Knollwood Preparatory Academy	19 64733 6017743	0.00	0.00	0.00	0.00
31	Lockhurst Drive Charter Elementary	19 64733 6017891	0.00	0.00	0.00	0.00
32	Marquez Charter School	19 64733 6018063	0.00	0.00	0.00	0.00
33	Millikan (Robert A.) Affiliated Charter and Performing Arts Magnet Middle School	19 64733 6058150	0.00	0.00	0.00	0.00
34	Nestle Avenue Charter School	19 64733 6018287	0.00	0.00	0.00	0.00
35	Nobel (Alred B.) Middle School	19 64733 6061543	0.00	0.00	0.00	0.00
36	Open Charter Magnet School	19 64733 6097927	0.00	0.00	0.00	0.00
37	Palisades Charter Elementary	19 64733 6018634	0.00	0.00	0.00	0.00
38	Plainview Academic Charter Academy	19 64733 6018725	0.00	0.00	0.00	0.00
39	Pomelo Community Charter School	19 64733 6018774	0.00	0.00	0.00	0.00
40	Revere (Paul) Charter Middle School	19 64733 6058267	0.00	0.00	0.00	0.00
41	Riverside Drive Charter School	19 64733 6018923	0.00	0.00	0.00	0.00
42	Serrania Avenue Charter School for Enriched Studies	19 64733 6019111	0.00	0.00	0.00	0.00
43	Sherman Oaks Elementary Charter School	19 64733 6019186	0.00	0.00	0.00	0.00
44	Superior Street Elementary	19 64733 6019392	0.00	0.00	0.00	0.00
45	Sylmar Charter High School	19 64733 1938554	1687.05	1675.53	1687.05	1675.53
46	Taft Charter High School	19 64733 1938612	2,270.09	2,242.77	2,270.09	2,242.77
47	Topanga Elementary Charter School	19 64733 6019525	0.00	0.00	0.00	0.00
48	Topeka Charter School For Advanced Studies	19 64733 6019533	0.00	0.00	0.00	0.00
49	Van Gogh Charter School	19 64733 6019673	0.00	0.00	0.00	0.00
50	Welby Way Charter Elementary and Gifted–High Ability Magnet	19 64733 6019855	0.00	0.00	0.00	0.00
51	Westwood Charter Elementary School	19 64733 6019939	0.00	0.00	0.00	0.00
52	Wilbur Charter For Enriched Academics	19 64733 6019954	0.00	0.00	0.00	0.00
53	Woodlake Elementary Community Charter	19 64733 6020036	0.00	0.00	0.00	0.00
54	Woodland Hills Elementary Charter For Enriched Studies	19 64733 6020044	0.00	0.00	0.00	0.00
	Total Affiliated Charter Schools Average Daily Attendance		8,837.70	8,760.14	8,837.70	8,760.14

See accompanying independent auditor's report.

Totals

Total ADA		Classroom-based ADA	
Second Period Report	Annual Report	Second Period Report	Annual Report
610.71	609.13	610.71	609.13
603.62	601.71	603.62	601.71
419.60	418.18	419.60	418.18
530.17	528.42	530.17	528.42
388.14	388.66	388.14	388.66
375.95	376.27	375.95	376.27
946.35	946.13	946.35	946.13
714.77	713.46	714.77	713.46
484.38	483.39	484.38	483.39
1,816.99	1,800.99	1,816.99	1,800.99
3,063.57	3,040.85	3,063.57	3,040.85
617.64	617.97	617.64	617.97
444.48	442.40	444.48	442.40
466.61	464.86	466.61	464.86
521.85	520.91	521.85	520.91
694.95	693.80	694.95	693.80
471.15	469.76	471.15	469.76
367.54	368.05	367.54	368.05
594.98	588.30	594.98	588.30
245.98	246.46	245.98	246.46
547.26	547.09	547.26	547.09
488.03	486.77	488.03	486.77
431.05	430.28	431.05	430.28
1,987.20	1,975.61	1,987.20	1,975.61
378.14	377.61	378.14	377.61
406.93	405.55	406.93	405.55
535.91	535.85	535.91	535.85
371.75	369.80	371.75	369.80
538.73	540.02	538.73	540.02
403.90	401.57	403.90	401.57
450.70	450.23	450.70	450.23
514.33	513.40	514.33	513.40
		-	
1,792.11	1,785.39	1,792.11	1,785.39
540.95	540.89	540.95	540.89
2,392.42	2,391.10	2,392.42	2,391.10
394.48	394.04	394.48	394.04
467.39	467.22	467.39	467.22
301.73	302.53	301.73	302.53
591.85	590.94	591.85	590.94
2,072.67	2,067.54	2,072.67	2,067.54
609.89	613.99	609.89	613.99
639.84	638.07	639.84	638.07
795.06	793.40	795.06	793.40
505.86	506.15	505.86	506.15
1,687.05	1,675.53	1,687.05	1,675.53
2,270.09	2,242.77	2,270.09	2,242.77
280.25	280.82	280.25	280.82
567.73	568.04	567.73	568.04
494.32	493.71	494.32	493.71
787.53	786.27	787.53	786.27
821.86	822.89	821.86	822.89
639.93	638.78	639.93	638.78
504.99	502.65	504.99	502.65
686.44	686.43	686.44	686.43
41,277.80	41,142.63	41,277.80	41,142.63

LOS ANGELES UNIFIED SCHOOL DISTRICT
Schedule of Instructional Time Offered
Year Ended June 30, 2017

Grade Level	1986-1987 Minutes Requirements	2016-17 Actual Minutes Offered	Number of Days Traditional Calendar	Number of Days Multi-track Calendar [3]	Complied with Instructional Minutes and Days Provisions
Kindergarten	36,000	36,000	180	N/A	Yes
Grades 1 to 3	50,400	55,100	180	N/A	Yes
Grades 4 to 6 [1]	54,000	55,100	180	N/A	Yes
Grades 7 to 8 [2]	54,000	62,160 or 65,300	180	N/A	Yes
Grades 9 to 12	64,800	65,300	180	180	Yes

(1) Elementary schools only.

(2) Middle schools with grade configurations 6-8 approved for common planning time have at least 62,160 annual instructional minutes. Middle schools with grade configurations 6-8 not approved for common planning time have at least 65,300 annual instructional minutes.

(3) Only one school followed the multi-track calendar.

Notes:

1. All charter schools included in this audit report conform to the above Schedule of Instructional Time Offered.
2. LAUSD received incentive funding for increasing instructional time pursuant to the Longer Year/Longer Instructional day, and met its target funding.

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

LOS ANGELES UNIFIED SCHOOL DISTRICT
Schedule of Financial Trends and Analysis
Year Ended June 30, 2017
(Dollars in thousands)

	2017-2018 Budgeted	2016-2017 Actual	2015-2016 Actual	2014-2015 Actual	2013-2014 Actual
General Fund:					
Revenues	$ 7,143,208	$ 7,176,151	$ 7,161,449	$ 6,420,069	$ 5,853,648
Other Financing Sources	20,300	116,118	52,078	32,771	25,267
Total Revenues and Other Financing Sources	7,163,508	7,292,269	7,213,527	6,452,840	5,878,915
Expenditures	7,469,546	6,758,572	6,633,257	6,205,730	5,660,706
Other Financing Uses	61,497	78,735	89,895	127,554	110,676
Total Expenditures and Other Financing Uses	7,531,043	6,837,307	6,723,152	6,333,284	5,771,382
Change in Fund Balance	(367,535)	454,962	490,375	119,556	107,533
Beginning Fund Balance	1,488,483	1,310,181	819,806	700,250	592,717
Ending Fund Balance	$ 1,120,948	$ 1,765,143	$ 1,310,181	$ 819,806	$ 700,250
Available Reserves*	$ 350,665	$ 794,680	$ 319,373	$ 254,210	$ 151,257
Unassigned Reserve for Economic Uncertainties	$ 75,381	$ 73,411	$ 72,376	$ 65,376	$ 65,376
Unassigned Fund Balance	$ 275,284	$ 721,269	$ 246,997	$ 188,834	$ 85,881
Available Reserves as a Percentage of Total Expenditures and Other Financing Uses	4.66%	11.62%	4.75%	4.01%	2.62%
Total Long-Term Debt	$ 26,445,515	$ 25,330,454	$ 24,164,629	$ 22,321,951	$ 17,519,475
Average Daily Attendance (ADA) at P-2 excluding regional occupational centers programs and adult programs	480,514	490,598	503,591	517,856	528,598

The General Fund has maintained a positive ending fund balance for the past four fiscal years presented in this schedule.

For a district this size, the State has recommended available reserves to be at least 1% of total General Fund expenditures and other financing uses. The District has been able to meet these requirements for the past four fiscal years.

* Available reserves consist of all unassigned fund balances and unassigned reserve for economic uncertainties.

See accompanying notes to supplementary information.

LOS ANGELES UNIFIED SCHOOL DISTRICT
Schedule to Reconcile the Annual Financial Budget Report (SACS)
with Audited Financial Statements
Year Ended June 30, 2017
(in thousands)

		District Bonds
June 30, 2017 Unaudited Actual Financial Reports		
Fund Balances/Net Position	$	692,586
Adjustments:		
To reverse the recording of arbitrage payable		180
June 30, 2017 Audited Financial Statement		
Fund Balances/Net Position	$	692,766

There were no adjustments to fund balances for funds not presented above.

See accompanying notes to supplementary information.

LOS ANGELES UNIFIED SCHOOL DISTRICT
Schedule of Charter Schools
Year Ended June 30, 2017

		CDS Code	Affiliated	Fiscally Independent	Included in the District Audit
1	Alexander (Dr. Theodore, Jr.) Science Center	19 64733 0102491	x		Yes
2	Beckford Charter for Enriched Studies	19 64733 6015986	x		Yes
3	Calabash Charter Academy	19 64733 6016240	x		Yes
4	Calahan Community Charter	19 64733 6016257	x		Yes
5	Calvert Charter for Enriched Studies	19 64733 6016265	x		Yes
6	Canyon Charter Elementary School	19 64733 6016323	x		Yes
7	Carpenter Community Charter School	19 64733 6016356	x		Yes
8	Castlebay Lane Elementary School	19 64733 6071435	x		Yes
9	Chandler Learning Academy	19 64733 6016422	x		Yes
10	Chatsworth Charter High School	19 64733 1931708	x		Yes
11	Cleveland (Grover) Charter High School	19 64733 1931864	x		Yes
12	Colfax Charter Elementary School	19 64733 6016562	x		Yes
13	Community Magnet Charter Elementary School	19 64733 6094726	x		Yes
14	Darby Avenue Charter	19 64733 6016703	x		Yes
15	Dearborn Elementary Charter Academy	19 64733 6016729	x		Yes
16	Dixie Canyon Community Charter School	19 64733 6016778	x		Yes
17	El Oro Way Charter For Enriched Studies	19 64733 6016869	x		Yes
18	Emelita Academy Charter	19 64733 6016901	x		Yes
19	Emerson Community Charter	19 64733 6057988	x		Yes
20	Enadia Technology Enriched Charter	19 64733 0117036	x		Yes
21	Encino Charter Elementary School	19 64733 6016935	x		Yes
22	Germain Academy for Academic Achievement	19 64733 6017263	x		Yes
23	Granada Elementary Community Charter	19 64733 6017339	x		Yes
24	Hale (George Ellery) Charter Academy	19 64733 6061477	x		Yes
25	Hamlin Charter Academy	19 64733 6017438	x		Yes
26	Haynes Charter For Enriched Studies	19 64733 6017529	x		Yes
27	Hesby Oaks Leadership Charter	19 64733 0112060	x		Yes
28	Justice Street Academy Charter School	19 64733 6017693	x		Yes
29	Kenter Canyon Elementary Charter	19 64733 6017701	x		Yes
30	Knollwood Preparatory Academy	19 64733 6017743	x		Yes
31	Lockhurst Drive Charter Elementary	19 64733 6017891	x		Yes
32	Marquez Charter School	19 64733 6018063	x		Yes
33	Millikan (Robert A.) Affiliated Charter and Performing Arts Magnet Middle School	19 64733 6058150	x		Yes
34	Nestle Avenue Charter School	19 64733 6018287	x		Yes
35	Nobel (Alred B.) Middle School	19 64733 6061543	x		Yes
36	Open Charter Magnet School	19 64733 6097927	x		Yes
37	Palisades Charter Elementary	19 64733 6018634	x		Yes
38	Plainview Academic Charter Academy	19 64733 6018725	x		Yes
39	Pomelo Community Charter School	19 64733 6018774	x		Yes
40	Revere (Paul) Charter Middle School	19 64733 6058267	x		Yes
41	Riverside Drive Charter School	19 64733 6018923	x		Yes
42	Serrania Avenue Charter School for Enriched Studies	19 64733 6019111	x		Yes
43	Sherman Oaks Elementary Charter School	19 64733 6019186	x		Yes
44	Superior Street Elementary	19 64733 6019392	x		Yes
45	Sylmar Charter High School	19 64733 1938554	x		Yes
46	Taft Charter High School	19 64733 1938612	x		Yes
47	Topanga Elementary Charter School	19 64733 6019525	x		Yes
48	Topeka Charter School For Advanced Studies	19 64733 6019533	x		Yes
49	Van Gogh Charter School	19 64733 6019673	x		Yes
50	Welby Way Charter Elementary and Gifted–High Ability Magnet	19 64733 6019855	x		Yes
51	Westwood Charter Elementary School	19 64733 6019939	x		Yes
52	Wilbur Charter For Enriched Academics	19 64733 6019954	x		Yes
53	Woodlake Elementary Community Charter	19 64733 6020036	x		Yes
54	Woodland Hills Elementary Charter For Enriched Studies	19 64733 6020044	x		Yes

(Continued)

LOS ANGELES UNIFIED SCHOOL DISTRICT
Schedule of Charter Schools (Continued)
Year Ended June 30, 2017

		CDS Code	Affiliated	Fiscally Independent	Included in the District Audit
55	Academia Moderna	19 64733 0120097		x	No
56	Academic Performance Excellence Academy (APEX)	19 64733 0117077		x	No
57	Academy of Science and Engineering	19 64733 0126185		x	No
58	Accelerated, The	19 64733 6112536		x	No
59	Accelerated Charter Elementary School (ACES)	19 64733 0100743		x	No
60	Alain Leroy Locke College Preparatory Academy	19 64733 0118588		x	No
61	Alliance Alice M. Baxter College–Ready High	19 64733 0127217		x	No
62	Alliance Cindy and Bill Simon Technology Academy High School	19 64733 0121285		x	No
63	Alliance College–Ready Middle Academy 4	19 64733 0120030		x	No
64	Alliance College–Ready Middle Academy 5	19 64733 0120048		x	No
65	Alliance College–Ready Middle Academy 8	19 64733 0128033		x	No
66	Alliance College–Ready Middle Academy 12	19 64733 0128058		x	No
67	Alliance Collins Family College–Ready High School	19 64733 0108936		x	No
68	Alliance Dr. Olga Mohan High School	19 64733 0111500		x	No
69	Alliance Gertz–Ressler Richard Merkin 6–12 Complex	19 64733 0106864		x	No
70	Alliance Jack H. Skirball Middle School	19 64733 0111518		x	No
71	Alliance Judy Ivie Burton Technology Academy High	19 64733 0108894		x	No
72	Alliance Kory Hunter Middle School	19 64733 0128041		x	No
73	Alliance Leadership Middle Academy	19 64733 0128009		x	No
74	Alliance Leichtman–Levine Family Foundation Environmental Science High	19 64733 0117606		x	No
75	Alliance Marc & Eva Stern Math and Science, (California State University Los Angeles Campus)	19 64733 0111658		x	No
76	Alliance Margaret M. Bloomfield Technology Academy	19 64733 0124941		x	No
77	Alliance Marine – Innovation and Technology 6–12 Complex	19 64733 0132084		x	No
78	Alliance Morgan McKinzie High	19 64733 0116509		x	No
79	Alliance Ouchi–O'Donovan 6–12 Complex	19 64733 0111641		x	No
80	Alliance Patti and Peter Neuwirth Leadership Academy	19 64733 0111492		x	No
81	Alliance Piera Barbaglia Shaheen Health Services Academy	19 64733 0117598		x	No
82	Alliance Renee and Meyer Luskin Academy High School	19 64733 0124891		x	No
83	Alliance Susan and Eric Smidt Technology High School	19 64733 0123133		x	No
84	Alliance Ted K Tajima High	19 64733 0123141		x	No
85	Alliance Tennenbaum Family Technology High School *	19 64733 0121293		x	No
86	Animo College Preparatory Academy (Jordan Campus)	19 64733 0124883		x	No
87	Animo Ellen Ochoa Charter Middle School	19 64733 0123992		x	No
88	Animo Florence–Firestone Charter Middle	19 64733 0134023		x	No
89	Animo Jackie Robinson High School	19 64733 0111583		x	No
90	Animo James B. Taylor Charter Middle School	19 64733 0124008		x	No
91	Animo Jefferson Charter Middle School	19 64733 0122481		x	No
92	Animo Mae Jemison Charter Middle School	19 64733 0129270		x	No
93	Animo Pat Brown High School	19 64733 0106849		x	No
94	Animo Phillis Wheatley Charter Middle School (Clay Campus)*	19 64733 0124024		x	No
95	Animo Ralph Bunche Charter High School	19 64733 0111575		x	No
96	Animo South Los Angeles Charter Senior High	19 64733 0102434		x	No
97	Animo Venice Charter High School	19 64733 0106831		x	No
98	Animo Watts College Preparatory Academy	19 64733 0111625		x	No
99	Animo Western Charter Middle School (Clay Campus) *	19 64733 0124016		x	No
100	Animo Westside Charter Middle School	19 64733 0122499		x	No
101	Apple Academy Charter Public Schools (AACPS)	19 64733 0126078		x	No
102	Ararat Charter School	19 64733 0121079		x	No
103	Arts in Action Community Charter School	19 64733 0123158		x	No
104	Arts in Action Community Middle School	19 64733 0134205		x	No
105	Aspire Centennial College Preparatory Academy	19 64733 0126797		x	No
106	Aspire Firestone Academy *	19 64733 0122622		x	No
107	Aspire Gateway Academy Charter*	19 64733 0122614		x	No
108	Aspire Inskeep Academy Charter*	19 64733 0124800		x	No
109	Aspire Juanita Tate Academy Charter*	19 64733 0124792		x	No

* PSC = Public School Choice

(Continued)

LOS ANGELES UNIFIED SCHOOL DISTRICT
Schedule of Charter Schools (Continued)
Year Ended June 30, 2017

		CDS Code	Affiliated	Fiscally Independent	Included in the District Audit
110	Aspire Junior Collegiate Academy	19 64733 0114884		x	No
111	Aspire Pacific Academy	19 64733 0122721		x	No
112	Aspire Slauson Academy Charter*	19 64733 0124784		x	No
113	Aspire Titan Academy	19 64733 0120477		x	No
114	Bert Corona Charter High	19 64733 0132126		x	No
115	Bert Corona Charter School	19 64733 0106872		x	No
116	Birmingham Community Charter High School	19 64733 1931047		x	No
117	Bright Star Secondary Charter Academy	19 64733 0112508		x	No
118	California Collegiate Charter	19 64733 0133884		x	No
119	Camino Nuevo Charter Academy (Burlington)	19 64733 6117667		x	No
120	Camino Nuevo Charter Academy 2 (Kayne Siart)	19 64733 0122861		x	No
121	Camino Nuevo Charter Academy 4 (Cisneros) *	19 64733 0124826		x	No
122	Camino Nuevo Charter High School	19 64733 0106435		x	No
123	Camino Nuevo Elementary School 3 (Eisner) *	19 64733 0122564		x	No
124	Camino Nuevo High School 2 (Dalzell Lance)	19 64733 0127910		x	No
125	Celerity Cardinal Charter School	19 64733 0123984		x	No
126	Celerity Dyad Charter School	19 64733 0115766		x	No
127	Celerity Nascent Charter School	19 64733 0108910		x	No
128	Celerity Octavia Charter School	19 64733 0122655		x	No
129	Celerity Palmati Charter School	19 64733 0123166		x	No
130	Celerity Troika Charter School	19 64733 0115782		x	No
131	Center for Advanced Learning	19 64733 0115139		x	No
132	Central City Value High School	19 64733 0100800		x	No
133	Charter High School of Arts–Multimedia & Performing School (CHAMPS)	19 64733 0108878		x	No
134	Chime Institute's Schwarzenegger Community School	19 64733 6119531		x	No
135	Citizens of the World Charter 2 (Silver Lake)	19 64733 0126177		x	No
136	Citizens of the World Charter 3 (Mar Vista)	19 64733 0126193		x	No
137	Citizens of the World Charter Hollywood	19 64733 0122556		x	No
138	City Language Immersion Charter	19 64733 0127886		x	No
139	Clemente Charter School	19 64733 0129825		x	No
140	Collegiate Charter High School of Los Angeles	19 64733 0131821		x	No
141	Community Preparatory Academy	19 64733 0129874		x	No
142	Crenshaw Arts–Technology Charter High School (CATCH)	19 64733 0101659		x	No
143	Crown Preparatory Academy	19 64733 0121848		x	No
144	Discovery Charter Preparatory School 2	19 64733 0115253		x	No
145	Downtown Value School	19 64733 6119903		x	No
146	Ednovate – USC East College Prep	19 64733 0132282		x	No
147	Ednovate – USC Hybrid High College Prep	19 64733 0125864		x	No
148	El Camino Real Charter High School	19 64733 1932623		x	No
149	Endeavor College Preparatory Charter School	19 64733 0120014		x	No
150	Equitas Academy Charter	19 64733 0119982		x	No
151	Equitas Academy 2 Charter	19 64733 0126169		x	No
152	Equitas Academy 3 Charter	19 64733 0129650		x	No
153	Everest Value School	19 64733 0129858		x	No
154	Executive Preparatory Academy of Finance	19 64733 0127852		x	No
155	Extera Public School	19 64733 0124198		x	No
156	Extera Public School No. 2	19 64733 0128132		x	No
157	Fenton Avenue Charter School	19 64733 6017016		x	No
158	Fenton Charter Leadership Academy	19 64733 0131722		x	No
159	Fenton Primary Center	19 64733 0115048		x	No
160	Fenton STEM Academy: Elementary Center for Science Technology Engineering and Mathematics	19 64733 0131466		x	No
161	Gabriella Charter School	19 64733 0108886		x	No
162	Gifted Academy of Mathematics and Entrepreneurial Studies	19 64733 0112334		x	No
163	Girls Athletic Leadership School Los Angeles	19 64733 0133710		x	No
164	Global Education Academy	19 64733 0114967		x	No

* PSC = Public School Choice

(Continued)

LOS ANGELES UNIFIED SCHOOL DISTRICT
Schedule of Charter Schools (Continued)
Year Ended June 30, 2017

		CDS Code	Affiliated	Fiscally Independent	Included in the District Audit
165	Global Education Academy 2	19 64733 0129833		x	No
166	Global Education Academy Middle School	19 64733 0128116		x	No
167	Goethe International Charter School	19 64733 0117978		x	No
168	Granada Hills Charter High School	19 64733 1933746		x	No
169	High Tech Los Angeles	19 64733 0100677		x	No
170	ICEF Innovation Los Angeles Charter	19 64733 0117952		x	No
171	ICEF Lou Dantzler Preparatory Academy	19 64733 0117945		x	No
172	ICEF Vista Elementary Academy	19 64733 0117937		x	No
173	ICEF Vista Middle Academy	19 64733 0115287		x	No
174	Ingenium Charter	19 64733 0121137		x	No
175	Ingenium Charter Middle School	19 64733 0127985		x	No
176	Ivy Academia Charter School	19 64733 0106351		x	No
177	Ivy Bound Academy Math, Science, and Technology Charter Middle 2	19 64733 0128389		x	No
178	Ivy Bound Academy of Math, Science, and Technology Charter Middle	19 64733 0115113		x	No
179	James Jordan Middle School	19 64733 0109884		x	No
180	KIPP Academy of Innovation	19 64733 0128512		x	No
181	KIPP Academy of Opportunity	19 64733 0101444		x	No
182	KIPP Comienza Community Preparatory	19 64733 0121707		x	No
183	KIPP Empower Academy	19 64733 0121699		x	No
184	KIPP Ignite Academy	19 64733 0131771		x	No
185	KIPP Iluminar Academy	19 64733 0127670		x	No
186	KIPP Los Angeles College Preparatory	19 64733 0100867		x	No
187	KIPP Philosophers Academy	19 64733 0125609		x	No
188	KIPP Promesa Preparatory	19 64733 0131797		x	No
189	KIPP Raices Academy	19 64733 0117903		x	No
190	KIPP Scholar Academy	19 64733 0125625		x	No
191	KIPP Sol Academy	19 64733 0125641		x	No
192	KIPP Vida Preparatory Academy	19 64733 0129460		x	No
193	Larchmont Charter School	19 64733 0108928		x	No
194	Lashon Academy	19 64733 0128025		x	No
195	Libertas College Preparatory Charter	19 64733 0131904		x	No
196	Los Angeles Academy of Arts & Enterprise Charter (LAAAE)	19 64733 0110304		x	No
197	Los Angeles Leadership Academy	19 64733 1996610		x	No
198	Los Angeles Leadership Primary Academy	19 64733 0124818		x	No
199	Los Feliz Charter School for the Arts	19 64733 0112235		x	No
200	Magnolia Science Academy	19 64733 6119945		x	No
201	Magnolia Science Academy 2	19 64733 0115212		x	No
202	Magnolia Science Academy 3	19 64733 0115030		x	No
203	Magnolia Science Academy 4	19 64733 0117622		x	No
204	Magnolia Science Academy 5	19 64733 0117630		x	No
205	Magnolia Science Academy 6	19 64733 0117648		x	No
206	Magnolia Science Academy 7	19 64733 0117655		x	No
207	Magnolia Science Academy Bell *	19 64733 0122747		x	No
208	Math and Science College Preparatory	19 64733 0126136		x	No
209	Metro Charter School	19 64733 0127977		x	No
210	Monsenor Oscar Romero Charter Middle	19 64733 0114959		x	No
211	Montague Charter Academy for the Arts and Sciences	19 64733 6018204		x	No
212	Multicultural Learning Center	19 64733 6119044		x	No
213	N.E.W. Academy Canoga Park	19 64733 0102483		x	No
214	N.E.W. Academy of Science and Arts	19 64733 0100289		x	No
215	New Designs Charter School	19 64733 0102541		x	No
216	New Designs Charter School – Watts	19 64733 0120071		x	No
217	New Heights Charter School	19 64733 0111211		x	No
218	New Horizons Charter Academy	19 64733 0128371		x	No
219	New Los Angeles Charter School	19 64733 0117614		x	No

* PSC = Public School Choice

(Continued)

LOS ANGELES UNIFIED SCHOOL DISTRICT
Schedule of Charter Schools (Continued)
Year Ended June 30, 2017

		CDS Code	Affiliated	Fiscally Independent	Included in the District Audit
220	New Los Angeles Elementary School	19 64733 0133702		x	No
221	New Millennium Secondary School	19 64733 0117911		x	No
222	New Village Girls Academy	19 64733 0111484		x	No
223	North Valley Military Institute College Preparatory Academy	19 64733 0100776		x	No
224	Ocean Charter School	19 64733 0102335		x	No
225	Oscar De La Hoya Animo Charter High School	19 64733 0101675		x	No
226	Our Community Charter School	19 64733 0109934		x	No
227	Pacoima Charter Elementary	19 64733 6018642		x	No
228	Palisades Charter High School	19 64733 1995836		x	No
229	Para Los Ninos Charter Middle School	19 64733 0117846		x	No
230	Para Los Ninos Charter School	19 64733 6120489		x	No
231	Para Los Ninos – Evelyn Thurman Gratts Primary Center *	19 64733 0122630		x	No
232	Pathways Community Charter	19 64733 0127878		x	No
233	Port of Los Angeles High School	19 64733 0107755		x	No
234	Prepa Tec – Los Angeles	19 64733 0127936		x	No
235	Public Policy Charter	19 64733 0131847		x	No
236	PUC CALS Charter Middle and Early College High School	19 64733 0133298		x	No
237	PUC Community Charter Elementary	19 64733 0129619		x	No
238	PUC Community Charter Middle and PUC Community Charter Early College High	19 64733 6116750		x	No
239	PUC Early College Academy for Leaders and Scholars (ECALS)*	19 64733 0124933		x	No
240	PUC Excel Charter Academy	19 64733 0112201		x	No
241	PUC Inspire Charter Academy	19 64733 0129593		x	No
242	PUC Lakeview Charter Academy	19 64733 0102442		x	No
243	PUC Lakeview Charter High	19 64733 0122606		x	No
244	PUC Milagro Charter	19 64733 0102426		x	No
245	PUC Nueva Esperanza Charter Academy	19 64733 0133280		x	No
246	PUC Santa Rosa Charter Academy	19 64733 0119974		x	No
247	PUC Triumph Charter Academy and PUC Triumph Charter High School	19 64733 0133272		x	No
248	Puente Charter School	19 64733 6120471		x	No
249	Renaissance Arts Academy	19 64733 0101683		x	No
250	Renaissance Arts Academy K–12	19 64733 0131680		x	No
251	Resolute Academy Charter	19 64733 0131870		x	No
252	Rise Kohyang High School	19 64733 0133868		x	No
253	Rise Kohyang Middle	19 64733 0124222		x	No
254	Santa Monica Boulevard Community Charter School	19 64733 6019079		x	No
255	Stella Middle Charter Academy	19 64733 0100669		x	No
256	Summit Preparatory Charter	19 64733 0131839		x	No
257	Synergy Charter Academy	19 64733 0106427		x	No
258	Synergy Kinetic Academy *	19 64733 0117895		x	No
259	Synergy Quantum Academy *	19 64733 0124560		x	No
260	TEACH Academy of Technologies	19 64733 0122242		x	No
261	TEACH Tech High School	19 64733 0129627		x	No
262	The City School	19 64733 0134148		x	No
263	University Preparatory Value High	19 64733 0132027		x	No
264	Valley Charter Elementary School	19 64733 0122754		x	No
265	Valley Charter Middle School	19 64733 0122838		x	No
266	Valor Academy Elementary School	19 64733 0133694		x	No
267	Valor Academy High School	19 64733 0127894		x	No
268	Valor Academy Middle School	19 64733 0120022		x	No
269	Vaughn Next Century Learning Center	19 64733 6019715		x	No
270	View Park Preparatory Accelerated Charter	19 64733 6117048		x	No
271	View Park Preparatory Accelerated Charter Middle School	19 64733 6121081		x	No
272	View Park Preparatory Accelerated High School	19 64733 0101196		x	No
273	Village Charter Academy	19 64733 0129866		x	No
274	Vista Charter Middle School	19 64733 0122739		x	No
275	Wallis Annenberg High School	19 64733 0100750		x	No
276	Watts Learning Center	19 64733 6114912		x	No
277	Watts Learning Center Charter Middle School	19 64733 0120527		x	No
278	Westside Innovative School House (WISH)	19 64733 0121012		x	No
279	Westside Innovative School House Charter Middle (WISH)	19 64733 0129379		x	No

* PSC = Public School Choice

LOS ANGELES UNIFIED SCHOOL DISTRICT

Notes to Supplementary Information

Year Ended June 30, 2017

(1) Statistical Data

The statistical data presented on pages 111-113 offers multi-year trend information, and are provided to help the reader understand the District's significant local revenue sources as it relates to the District's overall financial health.

The average daily attendance historical data presented on pages 114-116 provides additional trending information for the basis by which most state and local revenues are received by the District.

(2) Purpose of Schedules

(a) Schedule of Average Daily Attendance

Average daily attendance is a measurement of the number of pupils attending classes of the District. The purpose of attendance accounting from a fiscal standpoint is to provide the basis on which apportionments of state funds are made to school districts. This schedule provides information regarding the attendance of students at various grade levels and in different programs.

The schedule of average daily attendance for each of the District's affiliated charter schools is provided separately.

(b) Schedule of Instructional Time Offered

The District has received incentive funding for increasing instructional time as provided by the Incentive for Longer Instructional Day. This schedule presents information on the amount of instructional time offered by the District and whether the District complied with the provisions of Education Code Sections 46201 through 46206.

(c) Schedule of Financial Trends and Analysis

This schedule focuses on financial trends by displaying past years' data along with current budget information and evaluates the District's ability to continue as a going concern for a reasonable period of time.

(d) Reconciliation of Unaudited Actual Financial Reports with Audited Financial Statements

This schedule provides the information necessary to reconcile the differences between fund balances reported on the unaudited actual financial reports and the audited financial statements.

(e) Schedule of Charter Schools

This schedule lists all charter schools chartered by the District, and indicates whether or not the charter school is included in the District's audit.

LOS ANGELES UNIFIED SCHOOL DISTRICT
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2017

Federal Grantor/Pass-Through Grantor/Program Title	Catalog of Federal Domestic Assistance Number	Grantor or Pass-Through Entity ID Number	Passed Through to Subrecipients	Program Cluster Expenditures	Total Federal Expenditures
U.S. Department of Agriculture:					
Passed through California Department of Education:					
Child Nutrition School Programs Breakfast	10.553	PCA13525/PCA13526		$ 109,876,622	
Child Nutrition School Programs Lunch	10.555	PCA13523/PCA13524		147,101,702	
Child Nutrition School Programs Snack	10.555	PCA13755		9,016	
Donated Food Commodities	10.555	Not Available		21,534,190	
Child Nutrition Summer Food Services Program Operations	10.559	PCA13004		3,942,830	
Child Nutrition Summer Food Services Program Sponsor Administration	10.559	PCA13006		418,464	
Subtotal Expenditures – Child Nutrition Cluster					282,882,824
Child Nutrition Child Care Food Program Claims	10.558	PCA13529			51,104,267
Child Nutrition Child Care Food Program – Cash in Lieu of Commodities	10.558	PCA13534			3,512,465
Subtotal CFDA 10.558					54,616,732
Child Nutrition Team Nutrition-Front Line Professional Education Mini Grants	10.574	PCA01188/15332			71,767
Passed through California Department of Health Services:					
Network 4 Healthy California	10.561	PH-002580			139,992
Forest Reserve	10.665	PCA#10044			42,615
Subtotal Pass-Through Programs					337,753,930
Total U.S. Department of Agriculture					337,753,930
U.S. Department of Defense:					
Reserve Officer Training Corps Vitalization Act	12.unknown	Not Available			2,041,053
Startalk: Exploring Arabic Through Technology, Visual Arts and Photography	12.900	H98230-16-1-0124			74,128
Subtotal Direct Programs					2,115,181
Total U.S. Department of Defense					2,115,181
U.S. Department of Housing & Urban Development:					
Passed through City of Carson:					
Carson Guidance – CDBG Entitlement Grants Cluster	14.218	MOU			15,111
Subtotal Pass-Through Programs					15,111
Total U.S. Department of Housing and Urban Development					15,111
U.S. Department of Justice:					
Passed through City of Los Angeles:					
Second Chance Act	16.812	C-125850-1			56,960
Subtotal Pass-Through Programs					56,960
Total U.S. Department of Justice					56,960
U.S. Department of Labor:					
Youth Career Connect Program	17.274	YC-25413-14-60-A-6			1,641,251
Subtotal Direct Program					1,641,251
Passed through Catholic Charities of Los Angeles:					
Youth Build	17.274	C4400005521			23,125
Subtotal Pass-Through Programs					23,125
Passed through Employment Development Department:					
Employment Development Department Trade Act:					
Harbor Occupational Center	17.245	Various			2,850
Huntington Park Community Adult School	17.245	Various			3,186
Various Service Areas	17.245	Various			41,536
Subtotal CFDA 17.245					47,572
Passed through City of Los Angeles:					
Workforce Innovation and Opportunity Act (WIOA): Worksource Educational Partnership	17.258	C-129057		163,671	
Passed through Watts Labor Community Action Committee:					
Workforce Investment Act – WorkSource Center-Adult	17.258	127817/127738		63,276	
Workforce Investment Act – Youth Opportunity Program	17.259	127749		31,322	
Passed through City of Hawthorne:					
Workforce Investment Act – I-TRAIN - Harbor	17.258	16-0174-0-1-504		834	
Passed through City of Los Angeles:					
Workforce Investment Act – T-1 Youth Source System	17.259	127001		1,083,016	

(Continued)

LOS ANGELES UNIFIED SCHOOL DISTRICT
Schedule of Expenditures of Federal Awards (Continued)
Year Ended June 30, 2017

Federal Grantor/Pass-Through Grantor/Program Title	Catalog of Federal Domestic Assistance Number	Grantor or Pass-Through Entity ID Number	Passed Through to Subrecipients	Program Cluster Expenditures	Total Federal Expenditures
Passed through Para Los Ninos:					
Workforce Investment Act – Youth	17.259	122755-16L		$ 98,973	
Passed through Archdiocesan Youth Employment Services:					
Workforce Investment Act – Youth	17.259	T5787		43,079	
Subtotal Expenditures – WIOA Cluster					1,484,171
Subtotal Pass-Through Programs					1,554,868
Total U.S. Department of Labor					3,196,119
National Science Foundation:					
UCLA-Sub-Agreement:Project Mobilize	47.076	0070 G ND220			146,089
UCLA-Sub-Agreement: Into the Loop Program	47.076	0070 G SE659			97,488
USC-Math for America Los Angeles	47.076	Not Available			23,000
Subtotal Direct Program					266,577
Total National Science Foundation					266,577
Environmental Protection Agency:					
EPA-One Water Los Angeles Curriculum	66.951	99T30701			24,955
Subtotal Direct Program					24,955
Total Environmental Protection Agency					24,955
U.S. Department of Education:					
Indian Education	84.060	S060A14283			193,458
Skills for Success Program	84.215	U215H150111			466,829
Gaining Early Awareness and Readiness for Undergraduate Programs (GEAR-UP):					
GEAR-UP 4 LA	84.334	P334A110166/P334A140118	1,112,196		4,388,038
GEAR-UP-Project Steps	84.334	P334A110159	182,823		1,423,810
Subtotal CFDA 84.334					5,811,848
Arts in Education-Professional Development for Arts Educator	84.351	U351C140064	77,906		95,048
Teacher Incentive Fund	84.374	S374A120066			2,540,603
Magnet Schools Assistance	84.165	U165A130049			2,161,021
Subtotal Direct Programs					11,268,807
Passed through California Department of Education:					
Workforce Innovation and Opportunity Act – Adult Basic Ed/ESL	84.002	14508			7,763,878
Workforce Innovation & Opportunity Act – Ad Ed & Fam Lit/EL-Civics	84.002	14109			2,956,077
Workforce Innovation & Opportunity Act – Adult Secondary Ed	84.002	13978			2,446,156
Subtotal CFDA 84.002					13,166,111
Elementary and Secondary Education Act, Title I	84.010	14329			319,995,809
Elementary and Secondary Education Act, Title I Delinquent	84.010	14357			1,678,505
Elementary and Secondary Education Act, Title I Neglected	84.010	14329			818,089
Subtotal CFDA 84.010					322,492,403
Special Ed: IDEA Local Assistance, Part B, Sec.611 Early Intervening Services	84.027	PCA#10119		11,961,761	
Special Ed: IDEA Basic Local Assistance Entitlement	84.027	15-13379-6473-01		113,832,413	
Special Ed: IDEA Local Assistance, Private School ISPs	84.027	PCA#10115		1,542,502	
Special Ed: IDEA Mental Health Allocation Plan	84.027	15-15197-6473-01		6,954,953	
Special Ed: IDEA – Pre-School Local Entitlement	84.027	13-13682-6473-01		11,106,115	
Special Ed: CEIS 15% IDEA PART B,SEC 611	84.027	14-13839-6473-01		1,627,985	
IDEA Preschool Expansion Grant	84.173	15-13430-6473-01		4,789,252	
PreSchool Expansion – Staff Development	84.173	15-13431-6473-01		32,118	
Special Ed: CEIS 15% IDEA PART B,SEC 619	84.173	10131		737,307	
Special Ed: IDEA – Embedded Instruction	84.173	14-13839-6473-01		112,936	
Special Ed: IDEA – Alternate Dispute Resolution,Part B-Sec 611	84.173	PCA 13007		54,021	
IDEA Preschool Desired Result	84.173	15-14688-6473-01		23,684	
Subtotal Expenditures – Special Education Cluster					152,775,047
Carl D. Perkins – Secondary Program, Sec131	84.048	14894			6,838,657
Carl D. Perkins – Vocational and Technical Education, Sec 132	84.048	14893			1,013,526
Subtotal CFDA 84.048					7,852,183
Early Intervention Funds – Part C	84.181	13-23761-6473-01			1,178,111

(Continued)

LOS ANGELES UNIFIED SCHOOL DISTRICT

Schedule of Expenditures of Federal Awards (Continued)

Year Ended June 30, 2017

Federal Grantor/Pass-Through Grantor/Program Title	Catalog of Federal Domestic Assistance Number	Grantor or Pass-Through Entity ID Number	Passed Through to Subrecipients	Program Cluster Expenditures	Total Federal Expenditures
Education for Homeless Children & Youth	84.196	14332			$ 237,099
Twenty-first Century Learning Centers	84.287	14349			411,622
Twenty-first Century Learning Centers	84.287	14535	12,767,535		16,782,260
Twenty-first Century Learning Centers	84.287	14603			1,630,116
Twenty-first Century Learning Centers	84.287	14604			554,751
Subtotal CFDA 84.287					19,378,749
Advanced Placement	84.330	PCA14831			1,709,139
Title III, Limited English Proficient	84.365	14346/03 15146			13,824,871
No Child Left Behind Title II-A – Teacher Quality	84.367	14341			36,654,282
School Improvement Grant	84.377	15183/15248/15364			15,533,286
Passed through Los Angeles County Office of Education:					
Title I – Migrant Ed – Regular	84.011	14326/14768			798,889
Title I – Migrant Ed – Summer	84.011	10005/14768			322,652
Subtotal CFDA 84.011					1,121,541
Passed through Napa County Office of Education:					
Project READ – Peary Middle School	84.325	MOU			7,875
Passed through The Regents of the University of California:					
California GEAR-UP	84.334	15-GEAR UP-1622			14,875
System of Professional Growth for CCSS Implementation	84.367	09-002383-12			21,624
Passed through Literacy Design Collaborative:					
Literacy Design Collaborative Federal i3 Grant	84.411	MOU 2015-16SY			179,170
Passed through MDRC:					
Power Teaching i3 Scale Up Evaluation	84.411	MOU			47,030
Diplomas Now	84.411	U396B100257			14,819
Passed through Old Dominion Univ. Research Foundation-Technology:					
Facilitated Scale Up of a Proven Model	84.411	13-227-317101			51,594
Subtotal CFDA 84.411					292,613
Passed through State Department of Rehabilitation:					
Rehab-Transition Partnership Program/Trans Part-Greater LA	84.126	28903/EP1313027/29958/29956			1,390,200
CA PROMISE-(Promoting Readiness of Minor in Supp'l Income)	84.418	29139			1,206,189
Passed through Center for Collaborative Education:					
Principal Residency Network	84.363	MOU/4400003138			225,674
Subtotal Pass-Through Programs					589,081,872
Total U.S. Department of Education					600,350,679
U.S. Department of Health & Human Services:					
CDCP-School Based HIV/STD Prevention	93.079	5U87PS004181-.03/5NU87PS004181-04-00			587,285
SAMHSA-Now is the Time-Project AWARE	93.243	1H79SM061953-01			40,930
CMS-Cycle II & Cycle III Chipra Outreach	93.767	1ZOCMS331214-01-00			9,752
MACRA Connect Kids Coverage	93.767	1ZOCMS331515-01-00			509,319
Subtotal Direct Programs					1,147,286
Passed through Dibble Institute:					
Dibble Inst-BldgBrighter Future	93.086	90FM0010-01-00			86,024
Passed through County of Los Angeles:					
Maternal Infant and Early Childhood Home Visiting Program	93.505	PH-002170			934,506
County Youth Jobs-CalWorks & Foster Youth	93.558	1314-01			52,658
Passed through City of Los Angeles:					
County Youth Jobs Program-CalWorks	93.558	C128617			594,905
County Youth Jobs Program-CalWorks	93.558	C126170			801,115
County Youth Jobs Program-CalWorks	93.558	C123950-1			314,287
County Youth Jobs Program-CalWorks	93.558	C123950			198,892
Passed through California Department of Education:					
General Child Care Center-Block Grant	93.575	PCA15136		1,601,035	
General Child Care Center-Mandatory & Matching Fund	93.596	PCA13609		3,485,615	
Subtotal Expenditures – Child Care Development Fund Cluster					5,086,650

(Continued)

LOS ANGELES UNIFIED SCHOOL DISTRICT
Schedule of Expenditures of Federal Awards (Continued)
Year Ended June 30, 2017

Federal Grantor/Pass-Through Grantor/Program Title	Catalog of Federal Domestic Assistance Number	Grantor or Pass-Through Entity ID Number	Passed Through to Subrecipients	Program Cluster Expenditures	Total Federal Expenditures
Passed through Los Angeles County Office of Education:					
ARRA-State Grants to Promote Health Information Technology	93.719	Not Available			$ 38,935
Medi-Cal Administrative Activity	93.778	C-15048-A1:15:17			6,222,866
Subtotal Pass-Through Programs					14,330,838
Total U.S. Department of Health & Human Services					15,478,124
U.S. Department of Homeland Security:					
Passed through Governors Office of Emergency Services:					
Public Assistance – FEMA-1810-DR-CA	97.036	OES ID-037-91146			6,932
Hazard Mitigation Grant Program-FEMA 1731-DR-CA-Manhattan	97.039	HMGP#1731-76-24			9,420
Subtotal Pass-Through Programs					16,352
Total U.S. Department of Homeland Security					16,352
Total Expenditures of Federal Awards					$ 959,273,988

LOS ANGELES UNIFIED SCHOOL DISTRICT

Notes to Schedule of Expenditures of Federal Awards

Year Ended June 30, 2017

(1) General

The accompanying schedule of expenditures of federal awards presents the expenditures of all federal financial assistance programs for the Los Angeles Unified School District (District). The District's reporting entity is defined in the notes to the District's basic financial statements. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

(2) Basis of Accounting

The accompanying schedule of expenditures of federal awards is presented using the modified accrual basis of accounting, as described in Note 1 of the notes to the District's basic financial statements. Such expenditures are recognized following, as applicable, either the cost principles in Office of Management and Budget Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, or the cost principles contained in Title 2 U.S. Code of Federal Regulation Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in, the preparation of the District's basic financial statements but agrees in all material respects.

(3) Indirect Cost Rate

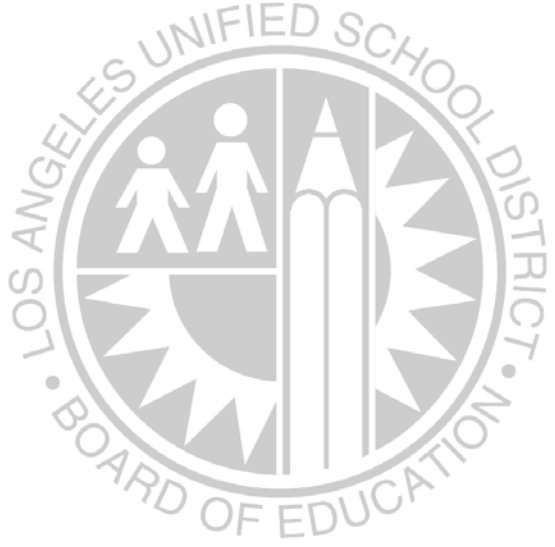
The District did not elect to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

(4) Noncash Assistance

Included in the schedule of expenditures of federal awards is (CFDA #10.555) $21,534,190 of donated food commodities received from the U.S. Department of Agriculture, passed-through the State of California, during the year ended June 30, 2017.

(5) Prior Year Expenditures

Included in the schedule of expenditures of federal awards under CFDA 93.558, passed-through the City of Los Angeles, are expenditures in the amount of $801,115 incurred for the fiscal year ended June 30, 2016 under contract no. C-126170 and expenditures in the amount of $198,892 and $314,287 incurred for the fiscal years ended June 30, 2014 and 2015, respectively under contract no. C-123950.


LOS ANGELES UNIFIED SCHOOL DISTRICT
BOARD OF EDUCATION

OTHER INDEPENDENT AUDITOR REPORTS

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Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards

To The Honorable Board of Education
Los Angeles Unified School District

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the **Los Angeles Unified School District** (the District), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 14, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, a material weakness may exist that has not been identified. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be a significant deficiency as item FS-2017-001.

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

District's Response to Findings

The District's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Simpson & Simpson

Los Angeles, California
December 14, 2017

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Report on Compliance for Each Major Federal Program and Report on Internal Control over Compliance

Independent Auditor's Report

The Honorable Board of Education
Los Angeles Unified School District

Report on Compliance for Each Major Federal Program

We have audited **Los Angeles Unified School District's** (the District) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2017. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the District's compliance.

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Opinion on Each Major Federal Program

In our opinion, the District compiled, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2017.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as items F-2017-001 to F-2017-005. Our opinion on each major federal program is not modified with respect to these matters.

The District's response to the noncompliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items F-2017-001, F-2017-002, F-2017-004, and F-2017-005 to be material weaknesses.

A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items F-2017-001 and F-2017-003 to be significant deficiencies.

The District's response to the internal control over compliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Simpson & Simpson

December 14, 2017
Los Angeles, California

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Independent Auditor's Report on State Compliance

To The Honorable Board of Education
Los Angeles Unified School District

Report on Compliance

We have audited the compliance of the **Los Angeles Unified School District** (the District), with the compliance requirements described in the *2016-17 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* (the Guide) for the year ended June 30, 2017. The District's programs are identified in the table below.

Management's Responsibility

Management is responsible for compliance with the requirements of the state laws and regulations applicable to each program.

Auditor's Responsibility

Our responsibility is to express an opinion on the District's compliance with the requirements described in the Guide based on our audit. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *2016-17 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting,* prescribed in the California Code of Regulations (CCR), Title 5, sections 19810-19854. Those standards and the Guide require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above occurred. An audit also includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. However, our audit does not provide a legal determination of the District's compliance with those requirements.

In connection with the audit referred to above, we selected and tested transactions and records to determine the District's compliance with state laws and regulations applicable to the following programs:

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	Procedures performed
Attendance Accounting:	
Attendance Reporting	Yes
Independent Study	Yes
Continuation Education	Yes
Teacher Certification and Misassignments	Yes
Kindergarten Continuance	Yes
Instructional Time	Yes
Instructional Materials	Yes
Ratios of Administrative Employees to Teachers	Yes
Classroom Teacher Salaries	Yes
Early Retirement Incentive	Not applicable*
Gann Limit Calculation	Yes
School Accountability Report Card	Yes
Juvenile Court Schools	Not applicable**
Middle or Early College High Schools	Yes
K-3 Grade Span Adjustment	Yes
Transportation Maintenance of Effort	Yes
Mental Health Expenditures	Yes
Education Effectiveness	Yes
California Clean Energy Jobs Act	Yes
After School Education and Safety Program:	
General Requirements	Yes
After School Program	Yes
Before School Program	Yes
Proper Expenditures of Education Protection Account Funds	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes

	Procedures performed
Local Control and Accountability Plan	Yes
Independent Study-Course Based	Not applicable***
Immunizations	Yes
Attendance for Charter Schools	Yes
Mode of Instruction for Charter Schools	Yes
Nonclassroom-Based Instruction/Independent Study for Charter Schools	Not applicable****
Determination of Funding for Nonclassroom-Based Instruction for Charter Schools	Not applicable****
Annual Instructional Minutes - Classroom Based for Charter Schools	Yes
Charter School Facility Grant Program	Not applicable*****

*	We did not perform any procedures related to the Early Retirement Incentive Program because the District did not offer early retirement incentive during fiscal year 2016-17.
**	We did not perform any procedures related to Juvenile Court Schools because the District does not offer this program.
***	The District does not have any Independent Study-Course Based Programs; therefore, we did not perform any testing related to this requirement.
****	The District does not have any Nonclassroom-Based Instruction/Independent Study for Charter Schools; therefore, we did not perform any testing related to this requirement.
*****	The District's charter schools did not receive Charter School Facility Grant Program funding; therefore, we did not perform any testing related to this requirement.

Opinion

In our opinion, the District complied, in all material respects, with the compliance requirements referred to above that are applicable to each of its programs for the year-ended June 30, 2017.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Guide and which are described in the accompanying schedule of findings and questioned costs as items S-2017-001 through S-2017-009. Our opinion is not modified with respect to these matters.

The District's responses to the noncompliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The District's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Simpson & Simpson

Los Angeles, California
December 14, 2017

LOS ANGELES UNIFIED SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

June 30, 2017

Section I – Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:	Unmodified
Internal control over financial reporting:	
• Material weakness(es) identified?	None noted
• Significant deficiency(ies) identified that are not considered to be material weaknesses?	Yes
Noncompliance material to financial statements noted?	None noted

Federal Awards

Internal control over major programs:	
• Material weakness(es) identified?	Yes
• Significant deficiency(ies) identified that are not considered to be material weaknesses?	Yes

Identification of major programs and type of auditor's report issued on compliance for each major program:

CFDA #	Name of Federal Program	Opinion
	Department of Agriculture – Child Nutrition Cluster:	Unmodified
10.553	School Breakfast Program	
10.555	National School Lunch Program	
10.559	Summer Food Service Program for Children	
84.002	Department of Education – Workforce Investment Act, Title II: Adult Education and Family Literacy Act	Unmodified
84.010	Title I Grants to Local Educational Agencies	Unmodified
84.048	Department of Education – Vocational Education Basic Grants to States (Perkins IV)	Unmodified
84.165	Magnet Schools Assistance	Unmodified
84.287	Department of Education – Twenty-First Century Community Learning Centers	Unmodified

LOS ANGELES UNIFIED SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

June 30, 2017

CFDA #	Name of Federal Program	Opinion
84.330	Department of Education – Advanced Placement	Unmodified
84.334	Department of Education – Gaining Early Awareness and Readiness for Undergraduate Programs (GEAR-UP)	Unmodified
84.365	Department of Education – English Language Acquisition Grants	Unmodified
	Department of Health and Human Services – Child Care Development Fund Cluster:	Unmodified
93.575	Child Care and Development Block Grant	
93.596	Child Care Mandatory and Matching Funds of the Child Care and Development Fund	

• Any audit findings disclosed which are required to be reported in accordance with 2 CFR 200.516:	Yes
• Dollar threshold used to distinguish between type A and type B programs:	$3,000,000
• Auditee qualified as low risk auditee	No

State Awards

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

****

Section II – Findings Relating to the Basic Financial Statements which are Required to be Reported in Accordance with Government Auditing Standards

FS-2017-001 MISIS User Access– Significant Deficiency

State Audit Guide Finding Code: 30000

Criteria

A division of roles and responsibilities should exist that reduces the possibility for an individual from performing duties not relevant to their respective job and/or position.

Condition

During the course of our review of MISIS access for eleven (11) sampled schools, we noted one (1) withdrawn user and one (1) retired user with MISIS Office Manager Role access as follows:

- User ID # 00264684 LD Northeast (Retiree)
- User ID # 00669294 Kenter Canyon (Withdrawn)

Cause and Effect

Inadequate restriction to modify/update access to production student accounting data can result in unauthorized changes that adversely impact the integrity of accounting and financial reporting information

Recommendation

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

Management Response

Retiree- User

MISIS access for the retiree was removed on June 12, 2017 after confirming that she has retired from LAUSD. Access to MISIS is restricted via several processes. As employees leave the District, their SingleSign ON account is disabled and consequently, their access to all District applications is disabled as well. In MISIS, as new data from our human resources system is received, user role and assignment records for schools are expired. Lastly, principals can also remove access via the EZ Access application or MISIS Help Desk request.

The MISSI team will explore options for better identifying changes to an employee's employment status, job classification, and or cost center. Furthermore, we will ask that changes to any of these three attributes require reauthorization of the users' access to the system.

Withdrawn - User

MISIS access for the withdrawn user was removed on June 12, 2017 after confirming with the administrator at Kenter Canyon EC as the principal had not taken action on EZ Access. Per the recommendations in the "MISIS Staff Access Management" document for School Administrators, principals are to monitor who has access to their school(s) by running the Security Audit Report from MISIS. In most cases, a principal can use the EZ Access application to make any changes needed to the level of access (including the removal of access). More specifically, the principal can remove all or some user roles for each departing staff member. The modified record will update MISIS via an PAI (application program interface). If the principal cannot remove the user role via EZ Access, he/she can contact the MISIS Help Desk to request that the change(s) be made.

Section III – Findings and Questioned Costs Relating to Federal Awards

Program Identification

Finding Reference Number:	**F-2017-001**
Federal Program Title, Awarding Agency, Pass-Through Entity, Catalog of Federal Domestic Assistance (CFDA) Number, and Award Number:	School Breakfast Program, National School Lunch Program, Summer Food Service Program for Children, U.S. Department of Agriculture, Passed through the California Department of Education, CFDA No. 10.553, 10.555, 10.559, PCA No. 13525, 13526, 13523, 13524, 13755, 13004, 13006 (Material Weakness) Title I Grants to Local Educational Agencies (Title I, Part A of the ESEA), U.S. Department of Education, Passed through the California Department of Education, CFDA No. 84.010, PCA 14329; (Significant Deficiency) Career and Technical Education-Basic Grants to States (Perkins IV), U.S. Department of Education, passed through California of Education (CDE), CFDA No. 84.048, Grant Agreement No. 16-14894-6473-00; (Significant Deficiency) Twenty-First Century Community Learning Centers, U.S. Department of Education, Passed through the California Department of Education, CFDA No. 84.287, Grant Agreement No. 16-14604-6473-8A (Significant Deficiency) Child Care and Development Fund: Child Care and Development Block Grant, Child Care Mandatory and Matching Funds of the Child Care and Development Fund, U.S. Department of Health and Human Services, Passed through the California Department of Education, CFDA No. 93.575 and 93.596, Grant Agreement CSPP-6198 and CCTR-6099; (Material Weakness)
Compliance Requirement:	Cost Principles
State Audit Guide Finding Code:	30000 and 50000

Criteria

2 CFR section 200.430(i), Standards for Documentation of Personnel Expenses, requires that charges to Federal awards for salaries and wages must be based on records that accurately reflect the work performed. These records must:

- Be supported by a system of internal control which provides reasonable assurance that the charges are accurate, allowable, and properly allocated;
- Be incorporated into the official records of the non-Federal entity;
- Reasonably reflect the total activity for which the employee is compensated by the non-Federal entity, not exceeding 100% of compensated activities;
- Encompass both federally assisted and all other activities compensated by the non-Federal entity on an integrated basis, but may include the use of subsidiary records as defined in the non-Federal entity's written policy;
- Comply with the established accounting policies and practices of the non-Federal entity;
- Support the distribution of the employee's salary or wages among specific activities or cost objectives if the employee works on more than one Federal award; a Federal award and non-Federal award; an indirect cost activity and a direct cost activity; two or more indirect activities which are allocated using different allocation bases; or an unallowable activity and a direct or indirect cost activity.

In accordance with LAUSD Policy Bulletin 2643.6, Documentation for Employees Paid from Federal and State Categorical Programs, the Semi-Annual Certification (Attachment B) or Blanket Semi-Annual Certification (Attachment C) must be completed each fiscal year. The first semi-annual certification is for the period July 1st through December 31st, and the second semi-annual certification is for the period January 1st through June 30th. These reports should be completed no later than January 31st and July 31st, respectively.

Condition

As part of our compliance review over payroll expenditures, we selected a sample of payroll expenditures charged to the program to ascertain if they were allowable per program regulations, accurately charged to the program, and appropriately supported in accordance with the 2 CFR 200.430 and Policy Bulletin 2643.6.

Child Nutrition Cluster: In our sample of sixty (60) payroll expenditures, we noted that eight (8) employees provided signed multi-funded time reports; however, the hours reported on the time reports did not support the hours recorded on SAP, the District’s accounting system.

Total exceptions amounted to $5,352 of the $189,645 sampled from $167,071,782 of the total payroll expenditures.

Title I Grants to Local Educational Agencies: In our sample of sixty (60) payroll expenditures, we noted that one (1) employee provided a signed semiannual certification; however, the certification was signed subsequent to our request.

Total exceptions amounted to $2,240 of the $188,832 sampled from $278,890,918 of the total payroll expenditures.

Career and Technical Education-Basic Grants to States - Perkins IV: In our sample of sixty (60) payroll expenditures, we noted that two (2) employees at two (2) different schools provided signed semiannual certifications; however, the certifications were dated subsequent to our request.

Total exceptions amounted to $1,440 of the $44,596 sampled from the $793,315 of the total payroll expenditures.

21st Century Community Learning Centers: In our sample of sixty (60) payroll expenditures, we noted that one (1) employee provided signed semiannual certifications; however, the certification was dated subsequent to our request.

Total exceptions amounted to $563 of the $36,238 sampled from the $1,853,753 of the total payroll expenditures.

***Child Care and Development Fund Cluster*:** In our sample of sixty (60) payroll expenditures, we noted that three (3) employees at three (3) different school sites provided signed semiannual certifications; however, the certifications were dated subsequent to our request. We noted that one (1) of the three (3) employees noted was a substitute early education center aide who had initially refused to sign the certification, which caused the untimeliness.

Total exceptions amounted to $6,752 of the $106,876 sampled from the $4,745,264 of the total payroll expenditures.

Our sample was a statistically valid sample.

Cause and Effect

The untimely certifications appear to be incidents in which employees did not follow the District's policies and procedures. The discrepancies between time-reports and SAP data seem to be due to clerical error and lack of sufficient review.

Questioned Costs:

The total cost related to the above-mentioned conditions amounted to $16,347.

Child Nutrition Cluster (CFDA 10.553, 10.555, 10.559): $5,352 due to unsupported hours charged.

Title I Grants to Local Educational Agencies (CFDA 84.010): $2,240 due to untimely certifications.

Career and Technical Education-Basic Grants to States - Perkins IV (CFDA 84.048): $1,440 due to untimely certifications.

21st Century Community Learning Centers (CFDA 84.287): $563 due to untimely certifications.

Child Care and Development Fund Cluster (CFDA 93.575 & 93.596): $6,752 due to untimely certifications.

Recommendation

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

View of Responsible Officials, Corrective Action Plans, and Contact Information

The District agrees with the audit findings.

Child Nutrition Cluster:

Time keepers will be retrained on correct procedures to input hours worked in SAP. The training will be completed by December 2017. Food Services Division will conduct monthly audits on the PAR forms and time cards to ensure that they match entries in SAP starting December 2017.

Name: Joseph Vaughn
Title: Director of Food Services
Telephone: (213) 241-2993

Title I Grants to Local Educational Agencies:

The Federal and State Education Programs (FSEP) office will implement the following actions to ensure that federal time and effort reporting requirements are adhered to for all staff whose salary is paid for with Title I funds.

1. By the end of January 2018, a meeting will be held for all employees who are centrally funded with Title I (fully or partially). The employee's supervisor, time reporter, and fiscal staff member will also be required to be in attendance. The meeting will cover a number of topics including District expectations regarding federal time and effort reporting requirements.
2. Annually, the FSEP office will provide each Title I centrally-funded staff member and their supervisor, time reporter, and fiscal manager with written communication listing all federally-funded staff and the expectations for completing timely and accurate time and effort reports.
3. Beginning in January 2018, the FSEP office will collect periodic certifications and Personnel Activity Reports (PARs) for all centrally-funded Title I personnel to review for adherence to federal and District requirements.
4. Beginning in January 2018, each Local District (6 in total) will be directed to identify a minimum of three schools and to ask for PAR and periodic certifications documentation for school site employees funded with Title I. FSEP staff will review and provide feedback to each Local District regarding the timeliness, completeness and accuracy of the documentation. Title I Coordinators will relay this information to selected schools.

5. FSEP will collaborate with district staff in the controller's office to provide training to Local District Title I Coordinators who will then provide training to school site Title I designees at one or more of their monthly Title I Coordinator meetings.

Name: Karen Ryback
Title: Executive Director, Federal & State Education Programs
Telephone: (213) 241-6990

Career and Technical Education-Basic Grants to States - Perkins IV:

The annual certifications were signed after the due date by teaching assistants in the CTE classrooms. The CTE office will now have a calendar listing of which personnel need to fill out this certification and ensure deadlines are met.

Name: Seema Puri
Title: CTE Coordinator
Telephone: (213) 241-1298

21st Century Community Learning Centers*:*

Program personnel are required to attend a "Start Up Meeting" scheduled prior to the beginning of the school year. During the "Start-Up Meeting," time will be spent on training staff on the importance of properly documenting and maintaining accurate documentation of Semi Annual Certification per LAUSD Policy Bulletin 2643 .6.

Beyond the Bell will continue to monitor these changes in protocol to ensure that the procedures are followed, and all information is reported accurately and properly documented.

Name: Harry Talbot
Title: Administrative Coordinator
Telephone: (213) 241-7900

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

The Early Childhood Education Division administrators will send an email to remind Early Education Center Time Reporters and Time Approvers to verify that time reported and certified in SAP should match the time indicated on multi-funded time reports. In addition, the Division administrators will send an email to remind Early Education Center Principals to review and verify that semi-annual certifications are completed accurately for both periods, the first period July 1st through December 31st, and the second semi-annual certification is for the period January 1st through June 30th. These reports should be completed on time no later than January 31st and July 31st, respectively. Division administrators will complete the above actions no later than January 31, 2018.

Name: Dean Tagawa
Title: Executive Director, Early Childhood Education
Telephone: (213) 241-0415

Program Identification

Finding Reference Number:	**F-2017-002**
Federal Catalog of Domestic Assistance Number(s):	93.575 and 93.596
Federal Program Titles:	Child Care and Development Fund: Child Care and Development Block Grant, Child Care Mandatory and Matching Funds of the Child Care and Development Fund (Material Weakeness)
Awarding Agency/Pass-Through Entity:	U.S. Department of Health and Human Services, California Department of Education
Award Number:	Grant Agreement CSPP-6198 and CCTR-6099
Compliance Requirement:	Eligibility
State Audit Guide Finding Code:	30000 and 50000

Criteria

Section II.C Certification of Eligibility and/or Need of General Child Care and Development Programs Program Requirements with California Department of Education (CDE):

The contractor shall designate the staff person authorized to certify eligibility. Prior to initial enrollment and at the time of recertification, an authorized representative of the contractor shall:

- Certify each family's/child's eligibility and/or need for child care and development services after reviewing the completed application and documentation contained in the family data file.
- Issue a Notice of Action and Application for Services.

Section II.D Contents of Family Data File of CCTR and CSPP Program Requirements with CDE:

- The Contractor shall establish and maintain a family data file for each family receiving child care and development services.
- The family data file shall contain a completed and signed application for services and the following records as applicable to determine eligibility and need in accordance with above:
  a. Documentation of income eligibility, including an income calculation worksheet;
  b. Documentation of employment;
  c. Documentation of seeking employment;
  d. Documentation of training;
  e. Documentation of parental incapacity;
  f. Documentation of child's exceptional needs;
  g. Documentation of homelessness;
  h. Documentation of seeking permanent housing for family stability;
  i. Documentation of referral for child protective services;
  j. Documentation of referral for a child at risk of abuse, neglect or exploitation.

- A signed Child Care Data Collection Privacy Notice and Consent Form CD 9600A (Rev. 01/04) shall be included.
- Notice of Action, Application for Services and/or Recipient of Services shall be included.
- The family data file shall contain all child health and current emergency information required by California Code of regulations, Title 22, Social Security, Division 12, and Community Care Facilities Licensing Regulations with the following exception. Immunization records are not required to be in the family data file for children attending a public or private elementary school or for children receiving care in licensed facilities and reimbursed pursuant to Education Code sections 8220 and 8350.

Section II.E Family Data File And Documentation of CCTR and CSPP Program Requirements with CDE:

After initial certification and enrollment, the contractor shall verify need and eligibility and recertify each family/child as follows:

a. Families receiving services because the child is at risk of abuse, neglect, or exploitation shall be recertified at least once every six months. The family can continue to receive child care and development services based on any of the following reasons:
    i. The child is receiving protective services and child care and development services are part of the case plan.
    ii. The family meets other need and eligibility criteria pursuant to *EC* 8263(a) (1) and (a) (2).
b. Families receiving services because of actual abuse, neglect or exploitation shall be recertified at least six months, and the time of recertification, the contractor shall document that the family is participating in a protective services plan in accordance with the requirements of their local county welfare department, child protective services unit to alleviate the circumstances causing the abuse, neglect, or exploitation
c. All other families shall be recertified at least once each contract period and at intervals not to exceed twelve (12) months.

Early Education Center Program Manual – Program Policy (CSPP and CCTR) states:

2.11.1 The 9600 (Confidential Application for Child Development Services and Certification of Eligibility) and the Notice of Action are then generated from the Family Summary page in EESIS. Verify that the information, including all dates, are correct on the 9600. The 9600 must be signed in Section VII by the EEC Principal. The parent must sign and date Section V.

2.11.2 A Notice of Action (NOA) must be generated in order to finalize the process and generate fees, if applicable. The NOA advises the parent of due process requirements if they disagree with the agency's actions. The NOA must be given to the parent at least fourteen (14) calendar days before the effective date of the intended action (19 calendar days if mailed).

45 CFR section 98.45(k):

Lead Agencies shall establish, and periodically revise, by rule, a sliding fee scale(s) for families that receive CCDF child care services that:

(1) Helps families afford child care and enables choices of a range of child care options;
(2) Is based on income and the size of the family and may be based on other factors as appropriate, but may not be based on the cost of care or amount of subsidy payment;
(3) Provides for affordable family co-payments that are not a barrier to families receiving assistance under this part; and
(4) At Lead Agency discretion, allows for co-payments to be waived for families whose incomes are at or below the poverty level for a family of the same size, that have children who receive or need to receive protective services, or that meet other criteria established by the Lead Agency.

Condition

In our procedures performed to determine eligibility for the childcare programs funded by this cluster, we sampled a total of sixty (60) participants from twenty (20) out of eighty-six (86) Early Education Centers (EECs) and requested the family files such as annual recertification forms, pay stubs or letter and noted the following exceptions:

a) Two (2) files lacked proper documentation to confirm re-certification occurred within a 12-month period.
b) One (1) file had Income Worksheet calculating monthly income at $1,593 for a family size of 5, which should have resulted in no monthly fees. However, our review of the fee statement showed that the family was erroneously assessed a monthly fee of $195.
c) One (1) file had Income Worksheet calculating monthly income at $2,138 for a family size of 3, which should have resulted in a monthly fee of $84. However, our review of the fee statement showed that the family was erroneously assessed a monthly fee of $42.

Our sample was a statistically valid sample.

Cause and Effect

It appears that a lack of sufficient monitoring by the District over the functions performed by the center managers and possible staffing issues have resulted in errors during eligibility determination and annual recertification.

This finding is a repeat finding and has been reported previously for June 30, 2016 (F-2016-003).

Questioned Costs

The questioned cost could not be assessed for the exceptions noted for (a) because they may or may not have an impact on the family's calculated monthly income.

The questioned cost for (b) representing the over-charging of the family fee amounted to $2,340 ($195*12=$2,340).

The questioned cost for (c) representing the under-charging of the family fee amounted to $462 ($84-42) *11=$462).

Recommendation

We recommend that the District continue to strengthen its monitoring process to ensure that student files are reviewed on a regular basis in order to comply with the contract and records provision. The District should also continue to provide training sessions for the center managers to ensure that they are aware of the federal requirements in relation to eligibility and that the required documentation is being maintained.

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

The District agrees with the audit finding.

The Early Childhood Education Division (ECED) has implemented the following corrective action plan:

- Two additional Senior ECED Fiscal Technicians have been added to the fiscal staff bringing the total number to three. These Senior ECED Fiscal Technicians have met with office managers and principals in small groups to provide training and ongoing support relating to Title 5 Regulations and best practices. Small group training will ensure there is differentiation of training based on need, ability and knowledge. This training will continue throughout the year.
- Three new ECED directors have been added to the administrative staff bringing the total number to six. The directors provide ongoing support to principals of early education programs. By increasing the number of directors, reducing the number of schools each director is responsible for, more oversight and support is provided to principals as it relates to monitoring student files to keep them in compliance with contract provisions.
- A core group of ECED principals has been established that will mentor other/new principals.
- A group of ECED office managers has been established to mentor other/new office managers.

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Program Identification

Finding Reference Number:	**F-2017-003**
Federal Program Title, Awarding Agency, Pass-Through Entity, Catalog of Federal Domestic Assistance (CFDA) Number, and Award Number:	Workforce Innovation and Opportunity Act, Title II: Adult Education and Family Literacy Act, U.S. Department of Education, Passed through the California Department of Education, CFDA No. 84.002, Grant Agreement No. 14508, 13978, and 14109; (Significant Deficiency) Career and Technical Education-Basic Grants to States (Perkins IV), U.S. Department of Education, passed through California of Education (CDE), CFDA No. 84.048, Grant Agreement No. 16-14894-6473-00; (Significant Deficiency)
Compliance Requirement:	Equipment Management
State Audit Guide Finding Code:	20000, 30000 and 50000

Criteria

Code of Federal Regulations, Title 34 – Education, Part 80 – Uniform Administrative Requirements for Grants and Cooperative Agreements to State and Local Governments – Subpart C – Post – Award Requirements, Section 80.32, Equipment, Part (d):

- Management Requirement – Procedures for managing equipment (including replacement equipment), whether acquired in whole or in part with grant funds, until disposition takes place will, as a minimum, meet the following requirements:

  (1) Property records must be maintained that include a description of the property, a serial number or other identification number, the source of property, who holds title, the acquisition date, and cost of the property, percentage of Federal participation in the cost of the property, the location, use and condition of the property, and any ultimate disposition data including the date of disposal and sale price of the property.
  (2) A physical inventory of the property must be taken and the results reconciled with the property records at least once every two years.
  (3) A control system must be developed to ensure adequate safeguards to prevent loss, damage, or theft of the property. Any loss, damage, or theft shall be investigated.
  (4) Adequate maintenance procedures must be developed to keep the property in good condition.
  (5) If the grantee or subgrantee is authorized or required to sell the property, proper sales procedures must be established to ensure the highest possible return.

Non-Federal entities other than States must follow 2 CFR sections 200.313(c) through (e) which require that:

1. Equipment, including replacement equipment, be used in the program or project for which it was acquired as long as needed, whether or not the project or program continues to be supported by the Federal award or, when appropriate, under other Federal awards; however, the non-Federal entity must not encumber the equipment without prior approval of the Federal awarding agency (2 CFR sections 200.313(c) and (e)).

2. Property records must be maintained that include a description of the property, a serial number or other identification number, the source of funding for the property (including the Federal award identification number), who holds title, the acquisition date, cost of the property, percentage of Federal participation in the project costs for the Federal award under which the property was acquired, the location, use and condition of the property, and any ultimate disposition data including the date of disposal and sales price of the property (2 CFR section 200.313(d)(1)).

3. A physical inventory of the property must be taken and the results reconciled with the property records at least once every 2 years (2 CFR section 200.313(d)(2)).

4. A control system must be developed to ensure adequate safeguards to prevent loss, damage, or theft of the property. Any loss, damage, or theft must be investigated (2 CFR section 200.313(d)(3)).

5. Adequate maintenance procedures must be developed to keep the property in good condition (2 CFR section 200.313(d)(4)).

6. If the non-Federal entity is authorized or required to sell the property, proper sales procedures must be established to ensure the highest possible return (2 CFR section 200.313(d)(5)).

7. When original or replacement equipment acquired under a Federal award is no longer needed for a Federal program (whether the original project or program or other activities currently or previously supported by the Federal government), the non-Federal entity must request disposition instructions from the Federal awarding agency if required by the terms and conditions of the award. Items of equipment with a current per-unit fair market value of $5,000 or less may be retained, sold, or otherwise disposed of with no further obligation to the Federal awarding agency. If the Federal awarding agency fails to provide requested disposition instructions within 120 days, items of equipment with a current per-unit fair market value in excess of $5,000 may be retained or sold. The Federal awarding agency is entitled to the Federal interest in the equipment, which is the amount calculated by multiplying the current market value or sale proceeds by the Federal agency's participation in total project costs (2 CFR section 200.313(e) and 200.41).

LAUSD BUL-3508.7 Guideline I

- Each piece of categorically-funded equipment costing $500 (including tax, shipping and other ancillary charges) or more must be correctly labeled and inventoried
- The Categorical Equipment Inventory should be available for examination and will be reviewed annually for compliance. The data on this form should be verified at the beginning and at the end of each school year.

- Schools must maintain a historical inventory record for each piece of categorically-funded equipment costing $500 or more.

Condition

Workforce Innovation and Opportunity Act:

In our procedures to determine the District's compliance with the equipment management requirements, we tested five (5) out of ten (10) schools and reviewed pertinent documents, such as inventory logs, and invoices and noted the following:

1. In our comparison of the equipment listed on the 2016 inventory log to the 2017 inventory log, two (2) schools did not properly reconcile their physical inventory, resulting in not all equipment in use being accounted for. The majority of the equipment unaccounted for was over 5 years old, as Program staff's understanding of the equipment guidelines was that after 5 years, equipment could be removed from the inventory. However, the inventory logs were reconciled and updated subsequent to our procedures.

Our sample was a statistically valid sample.

***Career and Technical Education-Basic Grants to States - Perkins IV**:*

In our procedures performed to determine the District's compliance with the equipment management requirement, we sampled a total of ten (10) out of seventy-two (72) schools and reviewed pertinent documents, such as inventory logs, and noted the following:

1. One (1) school did not properly reconcile the physical inventory, resulting in not all equipment in use being accounted for in the inventory log. In addition, the inventory log did not include all equipment items purchased during the school year. However, the school's inventory log was reconciled and updated subsequent to our procedures.

Our sample was a statistically valid sample.

Cause and Effect

***Workforce Innovation and Opportunity Act*:** Misinterpretation of the equipment management requirements may have contributed to these issues. Inadequate information could result in non-compliance with the grant requirements.

This finding is a repeat finding and has been reported previously for June 30, 2016 (F-2016-004).

***Career and Technical Education-Basic Grants to States - Perkins IV**:* High turnover within the program personnel may have contributed to the issues. Inadequate information could result in non-compliance with the grant requirements.

This finding is a repeat finding and has been reported previously for June 30, 2016 (F-2016-004).

Questioned Cost

Not applicable. This finding is considered a programmatic non-compliance issue as well as a deficiency in the internal control system to properly monitor and supervise the personnel who are assigned to perform the inventory management.

Recommendation

We recommend the District continue to strengthen its controls over property management by providing adequate supervision/training to ensure that inventory management be performed properly.

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

The District agrees with the audit findings.

***Workforce Innovation and Opportunity Act*:**

The following actions have been/will be taken to address this issue:

- Equipment inventory logs cited above have been updated and corrected
- Addressed inventory guidelines at November 16, 2017, Advisor Quarterly Meeting
- Transitioning to a digital inventory system that monitors equipment across all funding areas and keeps a historical inventory of all equipment – tentatively scheduled for December 2017
- Inventory duties reassigned to one advisor group to provide consistency across schools
- Mandatory training on the new digital inventory system for assigned advisor group – tentatively scheduled for December 2017
- Label all equipment so it can be scanned into the new system – tentatively scheduled for December 2017
- Plan for yearly refresher trainings for continuing advisors responsible for the inventory and quarterly for new personnel as needed

Name: Deborah Davidock
Title: Program Performance Specialist
Telephone: (213) 241-3781

***Career and Technical Education-Basic Grants to States - Perkins IV**:*

Several inventory tracking systems have been reviewed and Career and Technical Education will be purchasing a system called Asset Tiger. For the next several years we will be working with two systems: Asset Tiger for new purchases beginning in 2017-18 and our current system for equipment purchased in prior years. The CTE office will also publish a calendar of inventory log completion dates for schools, advisors and those supervising the advisors.

Name: Seema Puri
Title: CTE Coordinator
Telephone: (213) 241-1298

Name: Esther Soliman
Title: Linked Learning, CTE, Work Experience Administrator
Telephone: (213) 241-8754

Program Identification

Finding Reference Number:	**F-2017-004**
Federal Catalog of Domestic Assistance Number(s):	93.575 and 93.596
Federal Program Titles:	Child Care and Development Fund: Child Care and Development Block Grant, Child Care Mandatory and Matching Funds of the Child Care and Development Fund (Material Weakness)
Awarding Agency / Pass-Through Entity:	U.S. Department of Health And Human Services, California Department of Education
Award Number:	Grant Agreement CSPP-5195 and CCTR-5099
Compliance Requirement:	Reporting
State Audit Guide Finding Code:	30000 and 50000

Criteria

VI Accounting and Reporting Requirements - Section C Enrollment and Attendance Accounting of the District Contract with CDE:

Contractors shall use daily sign-in/sign-out sheets as a primary source document for audit and reimbursement purposes.

One of the following persons shall enter the time of arrival and departure on a sign-in/sign-out sheet and, except as specified below, shall sign the sheet using their full signature for both arrival and departure times:

- The parent or other adult authorized by the parent to drop off/pick up a child; or
- The staff person designated by the contractor as the person responsible for entering the times of arrival and departure if the child is not dropped off/picked up by a parent or other adult authorized by the parent

VI Accounting and Reporting Requirements – Section D Attendance and Absences of the District Contract with CDE:

Attendance, for the purposes of reimbursement, includes excused absences because of illness or quarantine of the child, illness or quarantine of their parent, family emergency, court-ordered visitations or a reason which is clearly in the best interest of the child.

Section 6.3.1 Attendance and Absences of the Early Education Center (EEC) Program Manual:

Unexcused (U), On Leave of Absence (G) and Pattern Day* (P) are not reimbursable.

(Section 6.3.2, Definition of Absence Types, of the EEC Program Manual states that the term "Pattern Day" is used to indicate that the child is not expected to attend because the parent does not have a need on that day.)*

Condition

To verify the accuracy of the attendance records, we obtained and reconciled the attendance records reported in the Early Education Student Information System (EESIS), a database system with features designed to track and report attendance data, to the daily sign-in/sign-out for sixty (60) participants randomly selected from twenty (20) Early Education Centers (EECs) for six (6) randomly selected weeks. As a result of the reconciliation, we noted the following five (5) discrepancies from four (4) EECs:

- One (1) sign-in/sign-out sheet tracked three (3) days of "illness" and two (2) days of "present"; however; EESIS reported five (5) days of "present."
- One (1) sign-in/sign-out sheet tracked one (1) day of "illness" and four (4) days of "present"; however, EESIS reported five (5) days of "present."
- Three (3) sign-in/sign-out sheets each tracked one (1) day of "pattern" and four (4) days of "present"; however, EESIS reported four (4) days of "present" for all three samples.

Our sample was a statistically valid sample.

Cause and Effect

There appears to be incidents where inaccurate attendance was reported by District staff.

This finding is a repeat finding and has been reported previously for June 30, 2016 (F-2016-005).

Questioned Costs

The questioned costs for the above-mentioned discrepancies in the attendance records could not be assessed (i.e., undetermined) because the District's final reimbursement amount will be determined by the California Department of Education (CDE) in accordance with sections 18039, 18054, and 18064 under the Title 5 of the California Code of Regulations (CCR). The CDE's determination is normally performed in January, seven months after the fiscal year end.

According to § 18054 "Determination of Reimbursable Amount":

"….all contractors shall be reimbursed for an audited claim that is the least of the following:

(1) The maximum reimbursable amount as stated in the annual child development contract; or
(2) The actual and allowable net costs; or
(3) Contract service earnings - The adjusted child days/hours of enrollment for certified children, times the contract rate per child day/hour of enrollment, times the actual percentage of attendance plus five percent (5%), but in no case to exceed one hundred percent (100%) of enrollment."

Recommendation

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

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

The District agrees with the audit finding.

The Early Childhood Education Division (ECED) has implemented the following corrective action plan:

- Two additional Senior ECED Fiscal Technicians have been added to the fiscal staff bringing the total number to three. These Senior ECED Fiscal Technicians have met with office managers and principals in small groups to provide training and ongoing support relating to Title 5 Regulations and best practices, including attendance reporting. Small group training will ensure there is differentiation of training based on need, ability and knowledge. This training will continue throughout the year.
- Three new ECED directors have been added to the administrative staff bringing the total number to six. The directors provide ongoing support to principals of early education programs, including training and monitoring as it relates to attendance reporting. By increasing the number of directors, which reduces the number of schools each director is responsible for, more oversight and support is provided to principals as it relates to monitoring attendance records to keep them in compliance with contract provisions.
- A core group of ECED principals has been established that will mentor other/new principals.
- A group of ECED office managers has been established to mentor other/new office managers.

Name: Dean Tagawa
Title: Executive Director, Early Childhood Education
Telephone: (213) 241-0415

Program Identification

Finding Reference Number:	**F-2017-005**
Federal Catalog of Domestic Assistance Number(s):	84.010
Federal Program Titles:	Title I Grants to Local Education Agencies (LEAs) (Material Weakness)
Awarding Agency / Pass-Through Entity:	U.S. Department of Education, California Department of Education
Award Number:	PCA# 14329
Compliance Requirement:	Special Tests – Annual Report Card, High School Graduation Rate
State Audit Guide Finding Code:	30000 and 50000

Criteria

Annual Report Card, High School Graduation Rate

An SEA and its LEAs must report graduation rate data for all public high schools at the school, LEA, and State levels using the 4-year adjusted cohort rate under 34 CFR section 200.19(b)(1)(i)-(iv)). Graduation rate data must be reported both in the aggregate and disaggregated by each subgroup described in 34 CFR section 200.13(b)(7)(ii) using a 4-year adjusted cohort graduation rate. Only students who earn a regular high school diploma may be counted as a graduate for purposes of calculating the 4-year adjusted cohort graduation rate. The term "regular high school diploma" means the standard high school diploma that is awarded to students in the State and that is fully aligned with the State's academic content standards or a higher diploma and does not include a General Educational Development (GED) credential, certificate of attendance, or an alternative award. To remove a student from the cohort, a school or LEA must confirm, in writing, that the student transferred out, emigrated to another country, or is deceased. To confirm that a student transferred out, the school or LEA must have official written documentation that the student enrolled in another school or in an educational program that culminates in the award of a regular high school diploma. A student who is retained in grade, enrolls in a GED program, or leaves school for any other reason may not be counted as having transferred out for the purpose of calculating graduation rate and must remain in the adjusted cohort (Title I, Sections 1111(b)(2) and (h) of ESEA (20 USC 6311(b)(2) and (h)); 34 CFR section 200.19(b)).

Section 8.3 of the LAUSD Attendance Manual states: School staff shall document students who withdraw from the school. School staff shall follow Appendix J-2: Elementary School Withdrawal Symbols and Appendix J-3: Secondary School Withdrawal Symbols when recording withdrawal data.

Condition

We sampled a total of sixty-five (65) out of 170,926 students with leave codes in the school year 2015-2016 MiSiS enrollment file to verify that the leave code and reason code reported in MiSiS was properly supported. In our review of the documentation in comparison to the leave and reason code, we noted the following exceptions:

1. Four (4) student files from three (3) schools provided documentation that did not support the leave code entered into MiSiS:

Leave Code per MiSiS	Leave Code per Support
L4 (Student transfers to a non-public school including homeschooling)	**L3** (Student transfers to a California public school outside LAUSD)
L8 (Deceased or unknown)	**L5** (Student leaves California)
L8 (Deceased or unknown)	**NA**
L3 (Student transfers to a California public school outside LAUSD)	**L2** (Student transfers to a different LAUSD school)

2. One (1) student file from one (1) school was not able to provide official written documentation to support withdrawals for students who transferred out of the District.

Our sample was a statistically valid sample.

Cause and Effect

There does not appear to be adequate training and monitoring to ensure the accuracy of student records and the collection of the required documentation.

This finding is a repeat finding and has been reported previously for June 30, 2016 (F-2016-006).

Questioned Costs

Not applicable. This finding is considered a programmatic non-compliance issue as well as a deficiency in the internal control system to properly train and monitor the personnel who are assigned to maintain the accuracy of student records.

Recommendation

We recommend the District continue to strengthen its controls over enrollment status by providing adequate supervision/training to ensure that student records are accurate, and the required documentation is retained.

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

The District agrees with the audit finding.

Student Health and Human Services (SHHS), Pupil Services will continue to provide elementary and secondary schools with updated policy and procedures regarding appropriate withdrawal procedures.

The following corrective actions have been implemented since the 2015-16 school year:

- When entering a withdrawal to another LAUSD school (L2) in MiSiS, all LAUSD schools are now available on a drop-down menu. School staff can no longer enter free text in this section, which minimizes data input errors.
- The ability to enter the Parent Assurance Letter (PAL) is in the withdrawal history section in MiSiS.
- Updated policy (REF-6452.5-*Graduates, Completers and Dropout Lists*) now outlines the validation documentation that justifies student withdrawals under each withdrawal type. This documentation also supports the verification of enrollment at the next school.

The following corrective actions will be taken:

- Policy on withdrawal procedures will be reviewed and updated to elaborate on the protocol for documentation and instructions for appropriate data entry in the MiSiS withdrawal screen. Updated policy will be available in preparation for the next school year by June 2018.
- Online training modules on withdrawal procedures are currently being developed and will be available by June 2018.
- A data validation certify rule will be created that will send emails to schools informing them of potential withdrawal type discrepancies for students who have re-enrolled in an LAUSD school. This certify rule will be developed by June 2018.

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Section IV - Findings and Questioned Costs Relating to State Awards

S-2017-001 Regular and Special Day Classes – Elementary Schools – Attendance Computations

State Program: Attendance Accounting: Attendance Reporting

State Audit Guide Finding Codes: 10000 and 40000

Schools Affected

- 3rd Street Elementary School
- Angeles Mesa Elementary School
- Bushnell Way Elementary School

Criteria

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

Condition, Cause and Effect

For our sample of twenty-three (23) elementary schools, we obtained the Student Monthly Attendance Summary Reports (SMASRs) for a sample of teachers for school month six (6). SMASRs are system-generated reports from the District's My Integrated Student Information System (MISIS), a system utilized by the teachers to electronically input, submit and certify student attendance on a daily basis. We verified whether these SMASRs were reported accurately in the *Second Principal Report (P2)* and the *Annual Principal Report (P3).* We obtained the monthly statistical reports where all the SMASRs are summarized, for our sampled schools and we verified whether the SMASRs were completely and accurately summarized. We then traced these monthly statistical reports to the Attendance Ledgers, which in turn were traced to the *Second Principal Report (P2)* and the *Annual Principal Report (P3).*

To test the integrity of the data reported in the sampled SMASRs, we selected a sample of absences from notes, phone logs and other absence records and compared them to the SMASRs, to verify that they were not included in the calculation of Average Daily Attendance reported in the P2. In addition, since the SMASRs are generated through MISIS, we also tested the system's general internal controls which included, but were not limited to appropriate access controls.

We selected a sample of 34,649 days of attendance and 2,193 days of absences for testing and noted the following findings:

- **3rd Street Elementary School -** Out of the 1,731 days of attendance and 87 days of absences sampled, we noted the following exception:
    - One (1) student was absent for a total of one (1) day, as evidenced by an absence note but was marked as present in the school's monthly attendance summary.

- **Angeles Mesa Elementary School** – Out of the 1,828 days of attendance and 117 days of absences sampled, we noted the following exceptions:
    - Two (2) students were absent for a total of two (2) days, as evidenced by an absence note, but were marked as present in the school's monthly attendance summary.

- **Bushnell Way Elementary School** – Out of the 1,403 days of attendance and 111 days of absences sampled, we noted the following exception:
    - One (1) student was absent for a total of one (1) day, as evidenced by an absence note but was marked as present in the school's monthly attendance summary.

These findings are repeat findings, having been reported previously at June 30, 2016 (S-2016-001) but for different schools.

Questioned Costs

- Grades K-3 - 4 days / 141 days = 0.03 ADA overstated * $9,899 = $297

- 3rd Street Elementary School
    - 1 Grade K-3 day overstated/141 days in single track school year
- Angeles Mesa Elementary School
    - 2 Grade K-3 day overstated/141 days in single track school year
- Bushnell Way Elementary School
    - 1 Grade K-3 day overstated/141 days in single track school year

Recommendation

We recommend that the District continue to strengthen its controls over implementing District policies over student attendance reporting. Furthermore, we recommend that the District continue to provide adequate attendance reporting training to the schools, so that proper attendance reporting procedures are adhered to.

Views of Responsible Officials and Planned Corrective Actions

District staff will continue to work with school staff throughout the school year to provide assistance, training, information, etc., as necessary, to keep staff informed of District policies and procedures pertaining to proper attendance absence reporting.

S-2017-002 Regular and Special Day Classes – Secondary Schools – Attendance Computations

State Program: Attendance Accounting: Attendance Reporting

State Audit Guide Finding Codes: 10000 and 40000

Schools Affected

- Berendo Middle School
- Belvedere Middle School
- Robert F. Kennedy Community Schools – Los Angeles High School of the Arts
- Felicitas And Gonzalo Mendez Senior High
- West Adams Preparatory Senior High
- Early College Academy – LA Trade Tech College
- Fairfax Senior High

Criteria

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

Condition, Cause and Effect

For our sample of fourteen (14) secondary schools, we obtained the Student Monthly Attendance Summary Reports (SMASRs) for a sample of teachers for school month six (6). SMASRs are system-generated reports from the District's My Integrated Student Information System (MISIS), a system utilized by the teachers to electronically input, submit and certify student attendance on a daily basis. We verified whether these SMASRs were reported accurately in the *Second Principal Report (P2)* and the *Annual Principal Report (P3).* We obtained the monthly statistical reports where all the SMASRs are summarized, for our sampled schools and we verified whether the SMASRs were completely and accurately summarized. We then traced these monthly statistical reports to the Attendance Ledgers, which in turn were traced to the *Second Principal Report (P2)* and the *Annual Principal Report (P3).*

To test the integrity of the data reported in the sampled SMASRs, we selected a sample of absences from notes, phone logs and other absence records and compared them to the SMASRs, to verify that they were not included in the calculation of Average Daily Attendance reported in the P2. In addition, since the SMASRs are generated through MISIS, we also tested the system's general internal controls which included, but were not limited to appropriate access controls.

We selected a sample of 49,533 days of attendance and 2,956 days of absences from the District's secondary schools for testing and noted the following findings:

- **Berendo Middle School -** Out of the 3,658 days of attendance and 215 days of absences sampled, we noted the following exception:
    - One (1) students was absent for a total of one (1) day, as evidenced by absence notes but was marked as present in the school's monthly attendance summary.

- **Belvedere Middle School -** Out of the 4,954 days of attendance and 267 days of absences sampled, we noted the following exceptions:
    - Six (6) students were absent for a total of six (6) days, as evidenced by absence notes but were marked as present in the school's monthly attendance summary.

- **Robert F. Kennedy Community Schools – Los Angeles High School of the Arts -** Out of the 3,124 days of attendance and 170 days of absences sampled, we noted the following exceptions:
    - Four (4) students were absent for a total of eight (8) days, as evidenced by absence notes but were marked as present in the school's monthly attendance summary.

- **Felicitas And Gonzalo Mendez Senior High -** Out of the 5,654 days of attendance and 352 days of absences sampled, we noted the following exception:
    - One (1) student was absent for a total of one (1) days, as evidenced by absence notes, but was recorded as present in the school's monthly attendance summary.

- **West Adams Preparatory Senior High -** Out of the 7,573 days of attendance and 753 days of absences sampled, we noted the following exception:
    - One (1) student was absent for a total of one (1) days, as evidenced by absence notes, but was recorded as present in the school's monthly attendance summary.

- **Early College Academy – LA Trade Tech College -** Out of the 601 days of attendance and 90 days of absences sampled, we noted the following exceptions:
    - Two (2) students were absent for a total of two (2) days, as evidenced by absence notes, but were recorded as present in the school's monthly attendance summary.

- **Fairfax Senior High** – Out of the 8,373 days of attendance and 304 days of absences sampled, we noted the following exception:
    - Five (5) students were absent for a total of five (5) days, as evidenced by absence notes, but were recorded as present in the school's monthly attendance summary.

These findings are repeat findings, having been reported previously at June 30, 2016 (S-2016-002) but for different schools.

Questioned Costs

District's secondary schools:

- Grades 4-6 - 1 day / 141 days = 0.01 ADA overstated * $9,100 = $91
- Grades 7-8 - 6 days / 141 days = 0.04 ADA overstated * $9,371 = $375
- Grades 9-12 - 17 days / 141 days = 0.12 ADA overstated * $11,141 = $1,337

- Berendo Middle School
    - 1 Grade 4-6 day overstated/141 days in single track school year
- Belvedere Middle School
    - 6 Grade 7-8 days overstated/141 days in single track school year

- Robert F. Kennedy Community Schools – Los Angeles High School of the Arts
  - 8 Grade 9-12 days overstated/141 days in single track school year
- Felicitas and Gonzalo Mendez Senior High
  - 1 Grade 9-12 days overstated/141 days in single track school year
- West Adams Preparatory Senior High
  - 1 Grade 9-12 days overstated/141 days in single track school year
- Early College Academy – LA Trade Tech College
  - 2 Grade 9-12 days overstated/141 days in single track school year
- Fairfax Senior High
  - 5 Grade 9-12 days overstated/141 days in single track school year

Recommendation

We recommend that the District continue to strengthen its controls over implementing District policies over student attendance reporting. Furthermore, we recommend that the District continue to provide adequate attendance reporting training to the schools so that proper attendance reporting procedures are adhered to.

Views of Responsible Officials and Planned Corrective Actions

District staff will continue to work with school staff throughout the school year to provide assistance, training, information, etc., as necessary, to keep staff informed of District policies and procedures pertaining to proper attendance absence reporting.

S-2017-003 – Teacher Certification and Misassignments

State Audit Guide Finding Codes: 40000 and 71000

Schools Affected

- Marlton School
- Sal Castro Middle School
- Early College Academy – LA Trade Tech College

Criteria

California Education Code, Section 44203(d) - "Authorization" means the designation that appears on a credential, certificate, or permit that identifies the subjects and circumstances in which the holder of the credential, certificate, or permit may teach, or the services which the holder may render in the public schools of this state.

Section 44256 - Authorization for teaching credentials shall be of four basic kinds, as defined below:

(a) "Single subject instruction" means the practice of assignment of teachers and students to specified subject matter courses, as is commonly practiced in California high schools and most California junior high schools. The holder of a single subject teaching credential or a standard secondary credential or a special secondary teaching credential, as defined in this subdivision, who has completed 20 semester hours of coursework or 10 semester hours of upper division or graduate coursework approved by the

commission at an accredited institution in any subject commonly taught in grades 7 to 12, inclusive, other than the subject for which he or she is already certificated to teach, shall be eligible to have this subject appear on the credential as an authorization to teach this subject. The commission, by regulation, may require that evidence of additional competence is a condition for instruction in particular subjects, including, but not limited to, foreign languages. The commission may establish and implement alternative requirements for additional authorizations to the single subject credential on the basis of specialized needs. For purposes of this subdivision, a special secondary teaching credential means a special secondary teaching credential issued on the basis of at least a baccalaureate degree, a student teaching requirement, and 24 semester units of coursework in the subject specialty of the credential.

(b) "Multiple subject instruction" means the practice of assignment of teachers and students for multiple subject matter instruction, as is commonly practiced in California elementary schools and as is commonly practiced in early childhood education. The holder of a multiple subject teaching credential or a standard elementary credential who has completed 20 semester hours of coursework or 10 semester hours of upper division or graduate coursework approved by the commission at an accredited institution in any subject commonly taught in grades 9 and below shall be eligible to have that subject appear on the credential as authorization to teach the subject in departmentalized classes in grades 9 and below. The governing board of a school district by resolution may authorize the holder of a multiple subject teaching credential or a standard elementary credential to teach any subject in departmentalized classes to a given class or group of students below grade 9, provided that the teacher has completed at least 12 semester units, or six upper division or graduate units, of coursework at an accredited institution in each subject to be taught. The authorization shall be with the teacher's consent. However, the commission, by regulation, may provide that evidence of additional competence is necessary for instruction in particular subjects, including, but not limited to, foreign languages. The commission may establish and implement alternative requirements for additional authorizations to the multiple subject credential on the basis of specialized needs.

(c) "Specialist instruction" means any specialty requiring advanced preparation or special competence, including, but not limited to, reading specialist, mathematics specialist, specialist in special education, or early childhood education, and such other specialties as the commission may determine.

(d) "Designated subjects" means the practice of assignment of teachers and students to designated technical, trade, or career technical courses which courses may be part of a program of trade, technical, or career technical education.

Condition, Cause and Effect

During our procedures performed for each class sampled for attendance testing of regular and special day classes, adult education, and continuation, we reviewed the classroom teacher’s credentials to determine if they possessed valid credentials, if their assigned teaching position was consistent with the authorization of their certification, and if the teachers held a valid English instruction certification in instances when the teacher taught a class in which more than 20% of the pupils were English learners.

We tested a total of 183 teachers and noted four (4) exceptions for K-12 teachers who were assigned to teach in a position not consistent with the authorization of his/her certification:

- Early College Academy – LA Trade Tech College – 1 teacher was assigned to teach in a position not consistent with the authorization of his/her certification.

- Sal Castro Middle School – 1 teacher was assigned to teach in a position not consistent with the authorization of his/her certification.
- Marlton School – 2 teachers were assigned to teach in a position not consistent with the authorization of his/her certification.

Questioned Costs

Not Applicable

Recommendation

We recommend that the schools and District strengthen controls to ensure that the teachers are assigned to teach in a position consistent with the authorization of his/her certification.

View of Responsible Officials and Planned Corrective Action

Human Resources (HR) has participated in a variety of Professional Development meetings to support administrators/designees who are responsible for creating master schedules to review credentials, authorizations, and appropriate assignments. HR has implemented a Certify "MiSiS Priority Alert" for the 2017-2018 academic year that notifies school sites of the number of misassignments identified by the assignment monitoring report. HR staff will continue to monitor assignments and work with administrators on rectifying the assignments as soon as possible. This year, HR staff plans to focus more on collaborating with and training District personnel to assist on enhancing their knowledge regarding special education misassignments.

S-2017-004 – Kindergarten Continuance

State Audit Guide Finding Codes: 4000

Schools Affected

- 3rd Street Elementary School
- Angeles Mesa Elementary School
- Castelar Street Elementary School

Criteria

California Education Code, Section 46300 - In computing the average daily attendance of a school district, there shall be included the attendance of pupils in kindergarten after they have completed one school year in kindergarten only if the school district has on file for each of those pupils an agreement made pursuant to Section 48011, approved in form and content by the State Department of Education and signed by the pupil's parent or guardian, that the pupil shall be retained in kindergarten for not more than an additional school year.

Condition, Cause and Effect

Using the same 23 elementary schools sampled for attendance reporting, we selected students enrolled in kindergarten for school year 2016-17 and kindergarten in school year 2015-16 and verified that a signed kindergarten continuance parental agreement (Agreement) was maintained. We noted the following exceptions:

- 3rd Street Elementary School – A signed Agreement, approved in form and content by the CDE, was not on file before the start of the school year for two (2) students.
- Angeles Mesa Elementary School - A signed Agreement, approved in form and content by the CDE, was not on file before the start of the school year for one (1) student.
- Castelar Street Elementary School – A signed Agreement, approved in form and content by the CDE was not on file before the start of the school year for one (1) student.

Questioned Costs

$37,418 (3.78 total ADA overstated * $9.899)

- 3rd Street Elementary School
  - 338 days overstated / 180 days in single track school year = 1.88 ADA
- Angeles Mesa Elementary School
  - 170 days overstated / 180 days in single track school year = 0.94 ADA
- Castelar Street Elementary School
  - 173 days overstated / 180 days in single track school year = 0.96 ADA

Recommendation

We recommend that the Schools adhere to the District's policy by retaining evidence of the signed and dated parental agreement to continue forms, approved in form and content by the CDE, for all students repeating kindergarten prior to the start of the school year to support the inclusion of such pupils in the average daily attendance computation.

Views of Responsible Officials and Planned Corrective Actions

The Office of Elementary Instruction will continue to provide elementary schools with the necessary instructions and forms for kindergarten continuance parental agreement.

District policy will be reiterated to all elementary school administrators twice a year. The first reminder for the 2017-18 school year was sent in August 2017. This was in addition to the reminder sent at the end of the 2016-17 school year.

The bulletin on Kindergarten Continuance will be reviewed to determine whether additional District approvals for retaining a student will be implemented.

S-2017-005 – Middle or Early College High Schools

State Audit Guide Finding Codes: 10000 and 40000

School Affected

- Middle College High School

Criteria

California Education Code, Section 46146.5 –

a) A day of attendance for a pupil enrolled in grade 11 or 12 at an early college high school or middle college high school is 180 minutes of attendance if the pupil is also enrolled part time in courses of the California State University or the University of California for which academic credit will be provided upon satisfactory completion of enrolled courses.
b) A day of attendance for a pupil enrolled in an early college high school or middle college high school, who is also a special part-time student enrolled in a community college under Article 1 (commencing with Section 48800) of Chapter 5 of Part 27, and who will receive academic credit upon satisfactory completion of enrolled courses, is 180 minutes of attendance.
c) A day of attendance for a pupil enrolled in an early college high school or middle college high school who does not satisfy subdivision (a) or (b) is 240 minutes of attendance.

Condition, Cause and Effect

The District has a total of three (3) schools which meets the criteria set forth per the California Education Code of a middle or early college high school. We selected one school, and tested 40 pupils by obtaining the pupils' class schedules and the school's bell schedule to determine if the pupils met the instructional minute's requirement. We noted the following finding:

- **Middle College High School** – One (1) student, who is also a special part-time student enrolled in a community college, received less than the required 180 minutes of instructional minutes on Mondays and Wednesdays in the spring semester.

Questioned Costs

- Grades 9-12 – 39 days / 180 days = .22 ADA overstated * $11,141 = $2,451

Recommendation

We recommend that the school and District strengthen controls to ensure that students enrolled in an early college high school or middle college high school, who are also a special part-time student enrolled in a community college, obtain the minimum required instructional minutes of 180 minutes.

View of Responsible Officials and Planned Corrective Action

The Local District Counseling Coordinator will work, and communicate directly, with the school site to ensure that controls are strengthened. Academic and Counseling Services will monitor support efforts by reviewing the Student Information System (MiSiS) periodically to be sure that each student meets the California Education Code requirement for the middle college high school.

S-2017-006 – After School Education and Safety Program

State Program: After School Education and Safety Program

State Audit Guide Finding Codes: 40000

Schools Affected

- 32nd Street USC Performing Arts
- 99th Street Elementary
- Andrew Carnegie Middle School
- Breed Street Elementary
- Bryson Avenue Elementary
- Charles Maclay Middle School
- Ellen Ochoa Learning Center
- Florence Nightingale Middle School
- Foshay Learning Center
- Gates Street Elementary
- Graham Elementary
- Hollenbeck Middle School
- Hollywood Primary Center
- John Adams Middle School
- John W. Mack Elementary
- Johnnie Cochran Jr. Middle School
- Liberty Boulevard Elementary
- Melvin Avenue Elementary
- Middleton Street Elementary
- Miles Avenue Elementary
- Northridge Middle School
- Olive Vista Middle School
- Pacific Boulevard Elementary
- Pacoima Middle School
- Playa del Rey Elementary
- President Avenue Elementary
- Robert E. Peary Middle School
- Robert Fulton College Preparatory
- San Miguel Elementary
- School of Global Leadership
- State Street Elementary
- Vanalden Avenue Elementary
- Vista Middle School
- Wadsworth Avenue Elementary
- Weigand Avenue Elementary

Criteria

California Education Code 8483(a) – (1) Every after school component of a program established pursuant to this article shall commence immediately upon the conclusion of the regular school day, and operate a minimum of 15 hours per week at least until 6:00 p.m. on every regular school day. Every after school component of the program shall establish a policy regarding reasonable early daily release of pupils from the program. For those programs or school sites operating in a community where early release policy does not meet the unique requirements of that community or school, or both, documented evidence may be submitted to the department for an exception and a request for approval of an alternative plan.

(2) It is the intent of the Legislature that elementary school pupils participate in the full day of the program every day during which pupils participate and that pupils in middle school or junior high school attend a minimum of nine hours a week and three days a week to accomplish program goals.

California Education Code 8483.1 (a) – (1) Every before school program component established pursuant to this article shall in no instance operate for less than one and one-half hours per regular school day. Every program shall establish a policy regarding reasonable late daily arrival of pupils to the program.

(2) (A) It is the intent of the Legislature that elementary school pupils participate in the full day of the program every day during which pupils participate and that pupils in the middle or junior high school attend a minimum of six hours a week or three days a week to accomplish program goals, except when arriving late in accordance with the late arrival policy or as reasonably necessary.

(2) (B) A pupil who attends less than one-half of the daily program hours shall not be accounted for the purposes of the attendance.

California Education Code 8482 – The purpose of this program is to create incentives for establishing locally driven before and after school enrichment programs both during schooldays and summer, intersession, or vacation days that partner public schools and communities to provide academic and literacy support and safe, constructive alternatives for youth. The term public school includes charter schools.

Condition, Cause and Effect

On a sample basis, we tested attendance documentation of 56 schools and 5,395 days of attendance for students who participated in the After School Education and Safety Program. We examined the attendance records for the selected students and verified whether the attendance reporting was complete and accurate. We also verified whether the selected students complied with the attendance requirements established by the District, as required by the California Education Code. We noted the following exceptions:

After School Component of the Program

On a sample basis, we tested the attendance documentation of 48 schools and 4,634 days of attendance in the after school component of the After School Education and Safety Program.

There were 179 students in 29 schools that did not comply with the established early release policy. As a result, the following elementary schools had students that did not participate in the full day of the after school program on every day during which pupils participated, and the following middle schools had students that participated less than nine hours a week and three days a week:

- **32nd Street USC Performing Arts** – Six (6) students did not participate in the full period of the after school program for a total of twenty-three (23) days that they participated and there were no properly filled out early release forms to explain why such requirement was not complied with.
- **Andrew Carnegie Middle School –** Four (4) students did not participate in the full period of the after school program for a total of eighteen (18) days that they participated and there were no properly filled out early release form to explain why such requirement was not complied with.

- **Breed Street Elementary –** One (1) student did not participate in the full period of the after school program for a total of one (1) day that they participated and there was no properly filled out early release form to explain why such requirement was not complied with.
- **Bryson Avenue Elementary –** Five (5) students did not participate in the full period of the after school program for a total of ten (10) days that they participated and there were no properly filled out early release forms to explain why such requirement was not complied with.
- **Charles Maclay Middle School** – Four (4) students did not participate in the full period of the after school program for a total of nine (9) days that they participated and there were no properly filled out early release forms to explain why such requirement was not complied with.
- **Ellen Ochoa Learning Center –** Twenty (20) students did not participate in the full period of the after school program for a total of ninety-eight (98) days that they participated and there were no properly filled out early release forms to explain why such requirement was not complied with.
- **Florence Nightingale Middle School** – Eleven (11) students did not participate in the full period of the after school program for a total of forty-seven (47) days that they participated and there were no properly filled out early release forms to explain why such requirement was not complied with.
- **Graham Elementary** – Seventeen (17) students did not participate in the full period of the after school program for a total of fifty-seven (57) days that the students participated and there were no properly filled out early release forms to explain why such requirement was not complied with.
- **Hollenbeck Middle School –** Eight (8) students did not participate in the full period of the after school program for a total of thirty-six (36) days that the students participated and there were no properly filled out early release forms to explain why such requirement was not complied with.
- **Hollywood Primary Center –** One (1) student did not participate in the full period of the after school program for a total of two (2) days that the student participated and there were no properly filled out early release forms to explain why such requirement was not complied with.
- **John W. Mack Elementary –** One (1) student did not participate in the full period of the after school program for a total of one (1) day that they participated and there was no properly filled out early release form to explain why such requirement was not complied with.
- **John Adams Middle School –** Three (3) students did not participate in the full period of the after school program for a total of thirteen (13) days that the students participated and there were no properly filled out early release forms to explain why such requirement was not complied with.
- **Johnnie Cochran Jr. Middle School –** Nine (9) students did not participate in the full period of the after school program for a total of forty-three (43) days that the students participated and there was no properly filled out early release forms to explain why such requirement was not complied with.
- **Melvin Avenue Elementary –** One (1) student did not participate in the full period of the after school program for a total of one (1) day that the student participated and there was no properly filled out early release form to explain why such requirement was not complied with.
- **Middleton Street Elementary –** One (1) student did not participate in the full period of the after school program for a total of two (2) days that the student participated and there were no properly filled out early release forms to explain why such requirement was not complied with.

- **Northridge Middle School –** One (1) student did not participate in the full period of the after school program for a total of three (3) days that the student participated and there was no properly filled out early release forms to explain why such requirement was not complied with.
- **Olive Vista Middle School** – Seven (7) students did not participate in the full period of the after school program for a total of thirty-three (33) days that they participated and there were no properly filled out early release forms to explain why such requirement was not complied with.
- **Pacoima Middle School** – Seven (7) students did not participate in the full period of the after school program for a total of twenty-seven (27) days that they participated and there were no properly filled out early release forms to explain why such requirement was not complied with.
- **Pacific Boulevard Elementary –** Six (6) students did not participate in the full period of the after school program for a total of twelve (12) days that they participated and there were no properly filled out early release form to explain why such requirement was not complied with.
- **Playa del Rey Elementary** – Eleven (11) students did not participate in the full period of the after school program for a total of thirty-six (36) days that the students participated and there was no properly filled out early release forms to explain why such requirement was not complied with.
- **President Avenue Elementary –** Eight (8) students did not participate in the full period of the after school program for a total of twenty (20) days that they participated and there were no properly filled out early release forms to explain why such requirement was not complied with.
- **Robert E. Peary Middle School** – Fifteen (15) students did not participate in the full period of the after school program for a total of sixty (60) days that they participated and there were no properly filled out early release forms to explain why such requirement was not complied with.
- **Robert Fulton College Preparatory** – Six (6) students did not participate in the full period of the after school program for a total of twenty-eight (28) days that they participated and there were no properly filled out early release forms to explain why such requirement was not complied with.
- **San Miguel Elementary –** Six (6) students did not participate in the full period of the after school program for a total of fifteen (15) days that the students participated and there were no properly filled out early release forms to explain why such requirement was not complied with.
- **State Street Elementary –** Eight (8) students did not participate in the full period of the after school program for a total of eleven (17) days that the students participated and there was no properly filled out early release forms to explain why such requirement was not complied with.
- **Vanalden Avenue Elementary –** One (1) student did not participate in the full period of the after school program for a total of one (1) day that they participated and there was no properly filled out early release form to explain why such requirement was not complied with.
- **Vista Middle School** – Three (3) students did not participate in the full period of the after school program for a total of ten (10) days that they participated and there were no properly filled out early release forms to explain why such requirement was not complied with.
- **Wadsworth Avenue Elementary –** Four (4) students did not participate in the full period of the after school program for a total of four (4) days that they participated and there were no properly filled out early release forms to explain why such requirement was not complied with.

- **Weigand Avenue Elementary** – Four (4) students did not participate in the full period of the after school program for a total of four (4) days that they participated and there were no properly filled out early release forms to explain why such requirement was not complied with.

We obtained the ASES Attendance Reports, which the District uses to report attendance, and compared the total attendance reported to the Monthly Attendance Report (MAR) for the schools for a sampled week during the school year 2016-2017. Additionally, we tested the completeness and accuracy of the reports by selecting a sample of students and tracing the same students to attendance records and vice versa. We noted the following exceptions:

- **99th Street Elementary**– Lack of supporting information (i.e., sign-in time, sign-out time) of one (1) student to produce the attendance record for total of one (1) day but marked present on the MAR.
- **Foshay Learning Center –** Lack of supporting documentation (i.e., sign-in sheet) of five (5) students to produce the attendance record for total of twenty-five (25) days but marked present on the MAR.
- **Graham Elementary** – One (1) student was marked absent for a total of one (1) day on the sign-in sheet but marked present on the MAR.
- **Hollywood Primary Center** – Two (2) students were marked absent for a total of two (2) days on sign-in sheet but marked present on the MAR.
- **John Adams Middle School –** Lack of supporting information (i.e., sign-in time, sign-out time) of three (3) students to produce the attendance record for total of ten (10) days but marked present on the MAR.
- **Melvin Avenue Elementary –** Nine (9) students arrived late to the after-school program, and therefore did not participate in the full period of the after-school program for a total of thirty-six (36) days that the students participated and there was no properly supportive documentation (i.e., notes from Regular School teacher) to explain why such requirement was not complied with.
- **Middleton Street Elementary**

  – Lack of supporting information (i.e., sign-in time, sign-out time) of two (2) students to produce the attendance record for total of two (2) days but marked present on the MAR.

  – Two (2) students arrived late to the after-school program, and therefore did not participate in the full period of the after-school program for a total of four (4) days that the student participated and there were no properly supportive documentation (i.e., notes from Regular School teacher) to explain why such requirement was not complied with.
- **Playa del Rey Elementary** - One (1) student was marked absent for a total of one (1) day on the sign-in sheet but marked present on the MAR.
- **President Avenue Elementary –** Lack of supporting information (i.e., sign-in time, sign-out time) of one (1) student to produce proper attendance record for total of four (4) days but marked present on the MAR.
- **Pacific Boulevard Elementary –** Lack of supporting information (i.e., sign-in time, sign-out time) of one (1) student to produce the attendance record for total of one (1) day but marked present on the MAR.

- **San Miguel Elementary –** One (1) student arrived late to the after-school program, and therefore did not participate in the full period of the after-school program for a total of one (1) day that the student participated and there was no properly supportive documentation (i.e., notes from Regular School teacher) to explain why such requirement was not complied with.
- **School of Global Leadership –** Ten (10) students were marked absent for a total of forty-five (45) days on the sign-in sheet but marked present on the MAR.
  Vista Middle School – Lack of supporting information (i.e., sign-in time, sign-out time) of one (1) student to produce the attendance record for total of two (2) days but marked present on the MAR.

Before School Component of the Program

On a sample basis, we tested the attendance documentation of 8 schools and 761 days of attendance in the before school component of the Before School Education and Safety Program.

- **Gates Street Elementary** – One (1) student was marked absent for a total of one (1) day on the sign-in sheet but marked present on the MAR.
- **Liberty Boulevard Elementary** – One (1) student was marked absent for a total of one (1) day on the sign-in sheet but marked present on the MAR.
- **Miles Avenue Elementary** – One (1) student was marked absent for a total of one (1) day on the sign-in sheet but marked present on the MAR.

Questioned Costs

As a result of our testing, the over reporting of attendance was summarized in the Condition, Cause and Effect section above. The California Department of Education will determine the impact of the above exceptions on the After School Education and Safety Program funding if there is any.

Recommendation

We recommend that the District strengthen its procedures on attendance documentation for the After School Education and Safety program. The District should ensure that the agencies performing the services for these programs are aware of the District's policies, specifically on maintaining accurate attendance records. We also recommend for the District to continue performing agency visits to ensure compliance with the established policies, and develop and maintain auditable supporting documentations that leave an audit trail for students who cannot have a timely participation in the program.

Views of Responsible Officials and Planned Corrective Actions

Beyond The Bell Branch will continue to provide training and monitoring on attendance reporting at sites to ensure documentation of reported attendance figures is readily available and accurate for auditing purposes.

Agency contractors and program personnel are required to attend a "Start- up Meeting" scheduled prior to the beginning of the school year which includes training on attendance and the importance of proper documentation.

Contractors and agency program personnel are invited to attend a Federal Program Monitoring (FPM) training. Training on attendance documentation is provided during this meeting.

Beyond The Bell Branch will conduct site visits to monitor program quality and student attendance/early release of pupils through its Field Office Administrators, Field Office Traveling Playground Supervisors, and Central Office Administrators.

S-2017-007 Immunizations

State Audit Guide Finding Codes: 40000

Schools Affected

- Calvert Charter for Enriched Studies
- Hillcrest Drive Elementary School
- Los Feliz Science/Tech/Engineer/Math/Medicine Magnet
- MacArthur Park Elementary Visual and Performing Arts
- MacArthur Park Elementary Visual and Performing Arts DL Spa
- Manhattan Place Elementary School
- Vine Street Elementary School
- Westside Global Awareness Magnet
- Windsor Hills Elementary Math/Science Aerospace Magnet

Criteria

California Code of Regulations, Title 17, Section 6020: Pupils entering a kindergarten (or 1st grade kindergarten skipped) are required to have 2 doses of measles-containing vaccine, both given on or after the first birthday. The 1st dose is required before admission, and the 2nd dose is required as early as 1 month but no later than 3 months after the first dose.

Pupils entering or advancing to the 7th grade are required to have 1 dose of the tetanus toxoid, reduced diphtheria toxoid, and acellular pertussis vaccine (Tdap) on or after the 7th birthday. The 1st dose is required before admission.

California Code of Regulations, Title 17, Section 6040 - An already admitted pupil who is subsequently discovered not to have received all the immunizations which were required before admission or who is subsequently discovered not to have complied with the requirements for conditional admission specified in Section 6035 shall continue in attendance only if he or she receives all vaccine doses for which he or she is currently due and provides documentation of having received such doses no later than 10 school days after he or she or the parent or guardian is notified. The school, child care center, day nursery, nursery school, family day care home, or development center shall notify the pupil or the parent or guardian of the time period (no longer than 10 school days) within which the doses must be received.

California Code of Regulations, Title 17, Section 6051(b) - A personal beliefs exemption shall be granted upon the filing with the governing authority documentation in accordance with the requirements of Health and Safety Code Section 120365 on form CDPH 8262. The fact of the personal beliefs exemption shall be

recorded in accordance with Section 6070. The fact of a personal beliefs exemption for the pertussis booster immunization requirement in Section 120335(d), Health and Safety Code, shall be recorded on the Tdap (Pertussis Booster) Requirement sticker, PM 286 S (01/11).

California Code of Regulations, Title 17, Section 6055 - The governing authority of the school, child care center, day nursery, nursery school, family day care home, or development center shall exclude from further attendance any pupil who fails to obtain the required immunizations within no more than 10 school days following receipt of the notice provided pursuant to Section 6040, unless the pupil is exempt for medical reasons or personal beliefs, until the pupil provides written evidence that he or she has received another dose of each required vaccine due at that time. Any pupil so excluded shall be reported to the attendance supervisor or to the building administrator.

California Code of Regulations, Title 17, Section 6070

a. The governing authority of each school, child care center, day nursery, nursery school, family day care home, or development center shall record each pupil's immunizations on the California School Immunization Record, CDPH 286 (01/14), hereby incorporated by reference which, at kindergarten level and above, shall be part of the mandatory permanent pupil record as defined in Section 430 of Title 5, California Code of Regulations.
b. The governing authority may continue recording immunizations on the California School Immunization Record, PM 286 (1/02), hereby incorporated by reference, for students admitted prior to May 5, 2014.
c. Each pupil's immunization record shall contain:
    1) Name of pupil.
    2) Birthdate (month, day and year).
    3) Date of unconditional or conditional admission (month, day, and year).
    4) Type of vaccine and date (month, day, and year) each dose was administered. Although month, day and year of vaccine administration should be recorded, showing only month and year of vaccine dose(s) shall be allowed, except for records showing measles, rubella, and/or mumps vaccine doses given during the month of the first birthday or Tdap dose given during the month of the 7th birthday, the date of immunization shall also be recorded.
    5) Date and type of exemption for each exempted immunization, if any.
d. The immunization record shall be transferred with the mandatory permanent pupil record.
e. For pupils at kindergarten level and above transferring between school campuses within California or from a school in another state to a school in California, if the mandatory permanent pupil record or other immunization record has not been received at the time of entry to the new school, the governing authority of the school may admit the pupil for a period of up to 30 school days. If the mandatory permanent record or other immunization record has not arrived by the end of this period, the governing authority shall require the parent or guardian to present a written immunization record, as described in Section 6065, documenting that all currently due required immunizations have been received. If such a record is not presented, the pupil shall be excluded from further attendance until he or she comes into compliance with the immunization requirements, as outlined in Sections 6020, 6035, and 6065.
f. The governing authority shall see that the immunization record of each pupil admitted conditionally is reviewed every 30 days until that pupil has received all the required immunizations. Any immunizations received subsequent to conditional admission shall be entered in the pupil's immunization record.

g. For pupils who are being admitted or are advancing into the 7th through 12th grades beginning July 1, 2011, the governing authority shall record each pupil's Tdap dose, given on or after the 7th birthday, on the supplemental sticker form Tdap (Pertussis Booster) Requirement [PM 286 S (01/11)]. This form is hereby incorporated by reference. The governing authority shall affix the PM 286 S (01/11) to the front of the pupil's California School Immunization Record, PM 286 (1/02) or CDPH 286 (01/14).

Condition, Cause and Effect

For the 9 schools identified as having not submitted immunization assessment reports for Kindergarten pupils to the California Department of Public Health (CDPH), we selected a sample of 124 Kindergarten pupils, excluding students in independent study and students with an individualized education program that includes special education and related services, and verified that each pupil has a California School Immunization Record, CDPH 286 (01/14) on file (or note if prior version, PM 286(1/02) was used), and verified that the pupils had 2 doses of a measles vaccine prior to admission, or had a current medical or personal beliefs exemption on file. For pupils who only had 1 dose prior to admission, we verified that the 2nd dose was received within 3 calendar months after the 1st dose.

We noted the following findings:

- **Calvert Charter for Enriched Studies -** Out of the 15 pupils sampled, we noted the following exceptions:
    - Two (2) pupils did not receive the required 2nd dose within three calendar months and ten school days after receiving the 1st dose. The pupils received the 1st dose before the first day of school, and was marked present in the school's monthly attendance summary for a total of 82 days before receiving the 2nd dose.

- **Windsor Hills Elementary Math/Science Aerospace Magnet -** Out of the 17 pupils sampled, we noted the following exceptions:
    - Two (2) pupils did not receive the required 2nd dose within three calendar months and ten school days after receiving the 1st dose. The pupils received the 1st dose before the first day of school, and was marked present in the school's monthly attendance summary for a total of 57 days before receiving the 2nd dose.

For the 11 schools identified as reporting a conditional admission rate greater than 25 percent in Kindergarten to the CDPH, we selected a sample of 102 Kindergarten pupils, and verified that the pupils had 2 doses of a measles vaccine prior to admission, or had a current medical or personal beliefs exemption on file. For pupils who only had 1 dose prior to admission, we verified that the 2nd dose was received within 3 calendar months after the 1st dose.

We noted the following findings:

- **Hillcrest Drive Elementary School -** Out of the 15 pupils sampled, we noted the following exceptions:
    - One (1) pupil did not receive the required 2nd dose within three calendar months and ten school days after receiving the 1st dose. The pupil received the 1st dose before the first day of school, and was marked present in the school's monthly attendance summary for a total of 60 days before receiving the 2nd dose.

- **Los Feliz Science/Tech/Engineer/Math/Medicine Magnet -** Out of the 10 pupils sampled, we noted the following exceptions:
    - One (1) pupil received the 1st dose but never received the required 2nd dose during the school year. The pupil received the temporary medical exemption after the first day of school, and was marked present in the school's monthly attendance summary for a total of 94 days before receiving the temporary medical exemption.

- **MacArthur Park Elementary Visual and Performing Arts -** Out of the 12 pupils sampled, we noted the following exceptions:
    - One (1) pupil did not receive the required 2nd dose within three calendar months and ten school days after receiving the 1st dose. The pupil received the 1st dose before the first day of school, and was marked present in the school's monthly attendance summary for a total of 58 days before receiving the 2nd dose.

- **MacArthur Park Elementary Visual and Performing Arts DL SP -** Out of the 10 pupils sampled, we noted the following exceptions:
    - One (1) pupil did not receive the required 2nd dose within three calendar months and ten school days after receiving the 1st dose. The pupil received the 1st dose before the first day of school, and was marked present in the school's monthly attendance summary for a total of 8 days before receiving the 2nd dose.

- **Manhattan Place Elementary School -** Out of the 13 pupils sampled, we noted the following exception:
    - One (1) pupil did not receive the required 2nd dose within three calendar months and ten school days after receiving the 1st dose. The pupil received the 1st dose before the first day of school, and was marked present in the school's monthly attendance summary for a total of 60 days before receiving the 2nd dose.

- **Vine Street Elementary School -** Out of the 13 pupils sampled, we noted the following exceptions:
    - Two (2) pupils did not receive the required 2nd dose within three calendar months and ten school days after receiving the 1st dose. The pupils received the 1st dose before the first day of school, and was marked present in the school's monthly attendance summary for a total of 116 days before receiving the 2nd dose.

For the 3 schools identified as having not submitted immunization assessment reports for 7th Grade pupils to the CDPH, we selected a sample of 76 7th Grade pupils, excluding students in independent study and students with an individualized education program that includes special education and related services, and verified each pupil has a California School Immunization Record, PM 286 (1/02) or CDPH 286 (1/14) on file, and verified that each pupil obtained the Tdap dose prior to admission into 7th Grade.

We noted the following findings:

- **Westside Global Awareness Magnet -** Out of the 16 pupils sampled, we noted the following exception:
    - One (1) pupil did not receive the required Tdap dose before admission into 7th Grade, and were marked present in the school's monthly attendance summary for a total of 3 days.

Questioned Costs

- Grades K-3 – 535 days / 180 days = 2.97 ADA overstated * $9,899 = $29,400

Kindergartens:

- Calvert Charter for Enriched Studies– 82 days overstated/180 days in single track school year
- Hillcrest Drive Elementary School - 60 days overstated/180 days in single track school year
- Los Feliz Science/Tech/Engineer/Math/Medicine Magnet - 94 days overstated/180 days in single track school year
- MacArthur Park Elementary Visual and Performing Arts - 58 days overstated/180 days in single track school year
- MacArthur Park Elementary Visual and Performing Arts DL SP - 8 days overstated/180 days in single track school year
- Manhattan Place Elementary School - 60 days overstated/180 days in single track school year
- Windsor Hills Elementary Math/Science Aerospace Magnet - 57 days overstated/180 days in single track school year
- Vine Street Elementary School - 116 days overstated/180 days in single track school year

- Grades 7-8 – 3 days / 180 days = 0.02 ADA overstated * $9,9.371 = $187

7th Graders:

- Westside Global Awareness Magnet - 3 days overstated/180 days in single track school year

Recommendation

We recommend that the District strengthen its controls over implementing District policies over pupil immunization record tracking. Furthermore, we recommend that the District continue to provide adequate training to the schools, so that proper monitoring of pupil's immunization are adhered to.

Views of Responsible Officials and Planned Corrective Actions

The following corrective action steps will be taken:

a) On an ongoing basis, train/retrain schools' nurses to track and follow up conditional admissions. The power point: Immunization 101 is posted in the District Nursing Services (DNS) as a resource.
b) On an ongoing basis, Student Health and Human Services (SHHS) requires direct follow up and tracking of immunization by LD nursing office; weekly immunization compliance reports; LD Nursing Administrators to have check off list to monitor state reporting. District Nursing office (administrative) oversees the compliance monitoring using bi-weekly compliance reports.
c) On an ongoing basis, reissue job aids annually and as needed.

d) On an ongoing basis, LD Nursing administrators attend School Admin Assistants (SAA) staff meetings to discuss/train staff on immunization requirements and MiSiS documentation annually; refresher if needed during second semester. One of the Professional Development goals is for school staff training.
e) On an ongoing basis, Immunization requirements announcements issued to Principals – memo issued by SHHS
f) Nursing director to attend Operations Coordinators and Operations Administrators meeting, which occurred in September 2017, and will occur in January 2018 and March 2018.
g) EESiS- Welligent Interface to migrate pre-school students' immunization data in EECs to Welligent (data testing is done, close to completion, waiting for EESiS vendor to respond).
h) School Nurses have read-only access to California Immunization Registry (CAIR) to identify missing immunizations for documentation in Welligent-access and use began in March 2017. School Nurses are accessing CAIR.
i) Planned project to establish CAIR-Welligent interface for the purpose of immunization tracking/documentation. Data testing results: 40% data match (CAIR does not use student ID); will revisit when CAIR updates to HL7.
j) Implemented the MiSiS certify module/process in November 2017, which provides immunization reports with a roster of students with invalid immunization dates (i.e. less than date of birth) will be automatically sent to the school administrators for corrections.

S-2017-008 – Unduplicated Local Control Funding Formula Pupil Counts

State Program: Unduplicated Local Control Funding Formula Pupil Counts

State Audit Guide Finding Code: 40000

Schools Affected

- Charles H Kim Elementary School
- Overland Avenue Elementary School
- Belvedere Middle School
- Felicitas and Gonzalo Mendez Senior High
- City of Angeles Independent Studies
- Chandler Learning Academy (Dependent Charter School)

Criteria

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

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

Condition, Cause and Effect

On a sample basis, we tested the Free or Reduced Price Meal (FRPM) and English Learner (EL) eligibility of 1,297 students from 44 schools from the "1.18 – FRPM / English Learner / Foster Youth – Student List" reported in the CALPADS. We examined supporting documentation for the selected students and verified their respective eligibility.

Of the 1,297 students tested, 656 students were selected for verification of their Free and Reduced Price Meal (FRPM) eligibility as "181 - Free" or "182 - Reduced" in accordance with procedure *19849(1)(a)* of the audit guide.

Based on our testing, we noted that eight (8) students from the District's schools, and three (3) students from the District's Dependent Charter School who were reported as Free or Reduced, but was unsupported as Free or Reduced eligible. The cause of the error in reporting into CALPADS stems from the District handling multiple sets of data/records which reports the eligibility of students. This process has led to these students initially being reported as Free or Reduced eligible, but their records were not updated to reflect they were ineligible to continue being designated as such.

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

School	* Total Enrollment Applied	* UPC Applied	UPP	UPC adjusted based on eligibility of FRPM	UPC adjusted based on eligibility for EL funding	UPC adjusted based on eligibility for both FRPM and EL		Adjusted total UPC	Adjusted UPP
Los Angeles Unified School District	1,466,738	1,232,931	84.06%	(128)	-	-	**	1,232,803	84.05%
Charles H Kim Elementary School	2,159	1,902	88.10%	(1)	-	-		1,901	88.05%
Overland Avenue Elementary School	1,510	129	8.54%	(2)	-	-		127	8.41%
Belvedere Middle School	3,620	3,423	94.56%	(1)	-	-		3,422	94.53%
Felicitas and Gonzalo Mendez Senior High	2,701	2,529	93.63%	(2)	-	-		2,527	93.56%
City of Angeles Independent Studies	5,242	3,349	63.89%	(2)	-	-		3,347	63.85%
Chandler Learning Academy (Dependent Charter)	1,471	852	57.92%	(29)	-	-		823	55.92%

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

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

Questioned Costs

We determined the total impact of the eight (8) findings on the District, and three (3) findings on the Dependent Charter School by extrapolating the noted errors to the total UPC. We determined that the total extrapolated impact on the District's UPC is 128, and for the Dependent Charter School is 29.

We decreased the District's UPC by the extrapolated impact of 128 students, and calculated an Adjusted UPC of 84.05%.

We applied the Adjusted UPC to the District's LCFF State Aid, Adjusted for Minimum State Aid Guarantee for fiscal year 2016-17, and we computed total questioned costs to be $142,144.

We also decreased the Dependent Charter School's UPC by the extrapolated impact of 29 students, and calculated an Adjusted UPC of 55.92%.

We applied the Adjusted UPC to the Dependent Charter School LCFF State Aid, Adjusted for Minimum State Aid Guarantee for fiscal year 2016-17, and we computed total questioned costs to be $29,138.

Recommendation

We recommend the District implement a more effective system of collecting meal eligibility data/records, and perform an adequate review before uploading into CALPADS to ensure all records have been properly updated to reflect the students' most recent designation.

Views of Responsible Officials and Planned Corrective Actions

The State Reporting Services Branch has had a process in place for several years to determine the meal code eligibility for every student in the district with a current-year meal application on file for students enrolled at pricing schools; and for students enrolled at Provision 2 (P2) or Community Eligibility Provision (CEP) schools, base-year eligibility or current-year Household Income Form (HIF) eligibility for new students to the district. Because this process relies on a single point of verification, and the criteria to sort, rank, and determine Local Funding Control Funding formula (LCFF) eligibility based on meal code or income level eligibility based on three distinct eligibility files, with the requirement to track previous and current year enrollment records and eligibility data for several years for students enrolled at P2/CEP schools, the validation of these data is quite complex. Since LCFF replaced a myriad of previously existing K–12 funding streams, including revenue limits, general purpose block grants, and most of the 50-plus state categorical programs, the need to reinforce the process to determine and validate meal code eligibility has become a priority.

The State Reporting Services Branch is implementing a two-tier, iterative approach to ensure the verification of meal-eligibility records reported to the California Longitudinal Pupil Achievement Data System (CALPADS) are accurate.

<u>Timeline</u>

Tier I and Tier II of the corrective plan will be completed by January 26, 2018.

<u>Tier I</u>

This verification level is designed to review previous year's enrollments from the Early Education Student System (EESIS) and MISIS, data from the HIF and meal application data files in the Franklin System, as well as the implementation of any state or district policy changes.

The files are loaded into an access database and a round of manual checking is executed to a minimum of 25 records for inclusion eligibility in each of the categories outlined below for records from Pricing and P2/CEP schools. If any issues are identified through the verification process, the programming query rules are updated or corrected, and subsequent round of checking implemented.

Tier II

This verification level is an automated review of previous year's enrollments from the Early Education Student System (EESIS) and MISIS, data from the HIF and meal application data files in the Franklin System, as well as the implementation of any state or district policy changes.

The eligibility data files are loaded into an Oracle database and a round of automated verification is executed to all the records for inclusion eligibility in the categories highlighted above for students in Pricing and P2/CEP schools. If any issues are identified through the Tier II verification process, the programming query rules are updated or corrected, and another round of data verification is implemented.

Moving Forward

State Reporting Services Branch staff will continue to closely monitor the meal code eligibility process to ensure and improve the process as necessary.

S-2017-009 – Ratio of Administrative Employees to Teachers

State Audit Guide Finding Codes: 4000

Criteria

California Education Code, Section 41402 – The maximum ratios of administrative employees to each 100 teachers in the various types of school districts shall be as follows: *(b)* In unified school districts – 8.

Condition, Cause and Effect

We noted that based on the District's administrator employee-to-teacher ratio analysis that the number of administrative employees per hundred teachers is 8.52, which exceeds the allowable ratio set forth in Education Code section 41402, which for the District is 8.

Questioned Costs

Per AB-99 School Finance: Education Omnibus Trailer Bill, a school district with average daily attendance of more than 400,000 as of the 2016-17 second principal apportionment, shall be exempt from any penalties calculated pursuant to Section 41404 of the Education Code for the 2016-17 and 2017-18 fiscal years.

The District is granted this exception as their second principal apportionment average daily attendance is 448,888.25.

As such, the calculation of questioned costs is not applicable.

Recommendation

We recommend that the District strengthen controls over the adherence of the administrative employees to teacher's ratio requirement.

Views of Responsible Officials and Planned Corrective Actions

Management is currently reviewing the administrator and teachers staffing levels to address the current ratio. Issues being reviewed include funding for administrative positions subject to the current ratio, monitoring and approval of all Central office positions created, and evaluation of the positions in regard to treatment under the ratio calculation. The District will also explore pursuing the exemption of certain positions and programs from the calculation.

Findings Relating to the Basic Financial Statements which are Required to be Reported in Accordance with Government Auditing Standards

FS-16-001 ITD Access to SAP Production Transactions – Significant Deficiency

Recommendation

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

Current Status

Corrective action(s) implemented.

FS-16-002 MISIS User Access– Significant Deficiency

Recommendation

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

Current Status

Corrective action(s) partially Implemented. Corrective actions are not fully implemented as during the course of our review of MISIS access for sampled schools, we noted one (1) withdrawn user and one (1) retired user with MISIS Office Manager Role access (See FS-2017-01)

Findings and Questioned Costs Related to Federal Awards

Finding F-2016-001 – Cost Principles – Payroll Certifications and Documentation for Specially Funded Employee Positions

Program Identification

Magnet School Assistance, U.S. Department of Education, CFDA No. 84.165A, Grant Agreement No. U165A130049.

Recommendation

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

Current Status

Implemented

Finding F-2016-002 – Activities Allowed or Unallowed – Approved Budget Justifications

Program Identification

Title I Grants to Local Educational Agencies, U.S. Department of Education, passed through California Department of Education, CFDA No. 84.010, Grant Agreement No. 14329-6473.

Recommendation

The District should strengthen its budgetary controls over the individual school site's charges to the Title I funded programs to ensure that the activities are funded in accordance with the SPSA and approved annual budget.

Current Status

Implemented

Finding F-2016-003 – Eligibility – Verification Requirements

Program Identification

Child Care and Development Fund, Child Care and Development Block Grant, Child Care Mandatory and Matching Funds of the Child Care and Development Fund, Department of Health and Human Services, passed through California Department of Education, CFDA Nos. 93.575 and 93.596, Grant Agreement Nos. CSPP-5195 and CCTR-5099.

Recommendation

We recommend that the District strengthen its monitoring process to ensure that student files are reviewed on a regular basis in order to comply with the contract and records provision. The District should also continue to provide training sessions for the center managers to ensure that they are aware of the federal requirements in relation to eligibility and that the required documentation is being maintained.

Current Status

Implemented

Finding F-2016-004 – Equipment - Equipment Management Policies

Program Identification

Magnet School Assistance, U.S. Department of Education, CFDA No. 84.165A, Grant Agreement Nos. U165A130049;

Career and Technical Education, Basic Grants and States (Perkins IV), U.S. Department of Education, passed through California Department of Education, CFDA No. 84.048, Grant Agreement No. 15-14894-6473-00;

Workforce Innovation and Opportunity Act, Title II: Adult Education and Family Literacy Act, U.S. Department of Education, passed through California Department of Education, CFDA No. 84.002, Grant Agreement No. 15-Multiple-6473-00.

Recommendation

We recommend the District continue to strengthen its controls over property management by providing adequate supervision/training to ensure that inventory management be performed properly.

Current Status

Implemented

Finding F-2016-005 – Reporting

Program Identification

Child Care and Development Fund: Child Care and Development Block Grant, Child Care Mandatory and Matching Funds of the Child Care and Development Fund, Department of Health and Human Services, California Department of Education, CFDA Nos. 93.575 and 93.596, Grant Agreement CSPP-5195 and CCTR-5099;

Gaining Early Awareness and Readiness for Undergraduate Programs (GEAR-UP), U.S. Department of Education, CFDA No. 84.334, Grant Agreement P334A110166–15 and P334A140118-15;

Career and Technical Education-Basic Grants to States (Perkins IV), U.S. Department of Education, passed through California Department of Education, CFDA No. 84.048, Grant Agreement No. 15-14894-6473-00.

Recommendations

Child Care and Development Fund

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

Gaining Early Awareness and Readiness for Undergraduate Programs (GEAR-UP) 4 LA

We recommend that the District strengthen its processes to ensure that financial data is reported accurately for the GEAR-UP program.

Career and Technical Education-Basic Grants to States (Perkins IV)

We recommend that the District strengthen its processes to ensure that the annual enrollment, program completion, and placement data are reported accurately.

Current Status

Implemented

Finding F-2016-006 – Special Tests and Provisions

Program Identification

Title I Grants to Local Educational Agencies, U.S. Department of Education, passed through California Department of Education, CFDA No. 84.010, Grant Agreement No. 14329-6473.

Recommendations

Assessment System Security

We recommend that the District strengthen its monitoring process to ensure that the required Security Forms are signed and dated prior to the test date and are maintained in a systematic manner.

Highly Qualified Teachers

We recommend that the District strengthen its monitoring process to ensure that schools submit the certifications within the timeframe specified by the District.

Annual Report Card, High School Graduation Rate

We recommend the District continue to strengthen its controls over enrollment status by providing adequate supervision/training to ensure that student records are accurate.

Current Status

Implemented

Section IV - Findings and Questioned Costs Relating to State Awards

S-2016-001 Regular and Special Day Classes – Elementary Schools – Attendance Computations

State Program: Attendance Accounting: Attendance Reporting

State Audit Guide Finding Codes: 10000 and 40000

Schools Affected

- 7th Street Elementary School
- Leland Street Elementary School
- Oxnard Street Elementary School
- Plummer Elementary School

Recommendation

We recommend that the District continue to strengthen its controls over implementing District policies over student attendance reporting. Furthermore, we recommend that the District continue to provide adequate attendance reporting training to the schools, so that proper attendance reporting procedures are adhered to.

Current Status

Implemented.

S-2016-002 Regular and Special Day Classes – Secondary Schools – Attendance Computations

State Program: Attendance Accounting: Attendance Reporting

State Audit Guide Finding Codes: 10000 and 40000

Schools Affected

- Samuel Gompers Middle School
- Diego Rivera Learning Complex Public Service Community
- Eagle Rock High School
- Narbonne Senior High – Humanities & Arts Academy of Los Angeles
- Theodore Roosevelt Senior High

Recommendation

We recommend that the District continue to strengthen its controls over implementing District policies over student attendance reporting. Furthermore, we recommend that the District continue to provide adequate attendance reporting training to the schools so that proper attendance reporting procedures are adhered to.

Current Status

Implemented.

S-2016-003 – Teacher Certification and Misassignments

State Audit Guide Finding Codes: 40000 and 71000

Schools Affected

- Carson Senior High School - Academy of Medical Arts
- San Fernando Middle School Institute of Applied Media (SFIAM)
- Theodore Roosevelt Senior High School

Recommendation

We recommend that the schools and District strengthen controls to ensure that the teachers are assigned to teach in a position consistent with the authorization of his/her certification.

Current Status

Implemented.

S-2016-004 – Kindergarten Continuance

State Audit Guide Finding Codes: 40000

School Affected

- Towne Avenue Elementary School

Recommendation

We recommend that the School adhere to the District's policy by retaining evidence of the signed and dated parental agreement to continue forms for all students repeating kindergarten prior to the start of the school year to support the inclusion of such pupils in the average daily attendance computation.

Current Status

Implemented.

S-2016-005 Independent Study – Attendance Computations

State Program: Attendance Accounting: Attendance Reporting

State Audit Guide Finding Codes: 10000 and 40000

Schools Affected

- Maxine Waters AEWC
- Belvedere Learning Center AEWC

Recommendation

We recommend that the District strengthen its review process over independent study to ensure that required approvals over master agreements are obtained before the commencement of independent study, to ensure attendance reporting is appropriate.

Current Status

Implemented.

S-2016-006 – After School Education and Safety Program

State Program: After School Education and Safety Program

State Audit Guide Finding Codes: 40000

Schools Affected

- 96th Street Elementary
- Barton Hill Elementary
- Budlong Avenue Elementary
- Danube Avenue Elementary
- Ernest Lawrence Middle School
- George Washington Carver Middle School
- Gulf Avenue Elementary
- Harmony Elementary School
- Hollenbeck Middle School
- Los Angeles Academy Middle School
- Luther Burbank Middle School
- Maywood Elementary School
- Miles Avenue Elementary
- Orville Wright Engineering and Design Magnet
- Park Western Place Elementary
- San Gabriel Avenue Elementary
- Stanford Avenue Elementary
- Thomas A Edison Middle School
- Walter Reed Middle School
- William Jefferson Clinton Middle School
- William R Anton Elementary
- Wilmington Middle School
- Wisdom Elementary
- Young Oak Kim Academy

Recommendation

We recommend that the District strengthen its procedures on attendance documentation for the After School Education and Safety program. The District should ensure that the agencies performing the services for these programs are aware of the District's policies, specifically on maintaining accurate attendance records. We also recommend for the District to continue performing agency visits to ensure compliance with the established policies.

Current Status

Implemented.

S-2016-007 Immunizations

State Audit Guide Finding Codes: 40000

Schools Affected

- 186th Street Elementary School
- 52nd Street Elementary School
- 68th Street Elementary School
- 6th Avenue Elementary School
- 74th Street Elementary School
- 96th Street Elementary School
- Alta Loma Elementary School
- Angeles Mesa Elementary School
- Buchanan Street Elementary School
- Carson Street Elementary School
- Castle Heights Elementary School
- Cesar Chavez Elementary School
- Cimarron Avenue Elementary School
- Clover Avenue Elementary School
- Coeur D Alene Avenue Elementary School
- Dolores Street Elementary School
- Francisco Sepulveda Middle School
- Francisco Sepulveda MS Gifted/High Achiever Magnet
- Gardner Street Elementary School
- Gerald A Lawson Academy of the Arts Math Science Elementary School
- Grape Street Elementary School
- Griffin Avenue Elementary School
- Harvard Elementary School
- Haynes Charter for Enriched Studies
- Hillcrest Drive Elementary School
- Huntington Park Elementary School
- Leo Politi Elementary School
- Lovelia P Flournoy Elementary School
- Loyola Village Elementary School
- Manhattan Place Elementary School
- Menlo Avenue Elementary School
- Montara Avenue Elementary School
- Pacific Boulevard School
- Palisades Charter Elementary School
- Raymond Avenue Elementary School
- Robert Frost Middle School
- Robert Frost Middle School Computer/Math/Science Magnet
- Short Avenue Elementary School
- Van Deene Avenue Elementary School
- Virginia Road Elementary School
- Wilshire Crest Elementary School
- Windsor Hills Elementary Math/Science Aerospace Magnet
- Young Empowered Scholars Academy

Recommendation

We recommend that the District strengthen its controls over implementing District policies over pupil immunization record tracking. Furthermore, we recommend that the District continue to provide adequate training to the schools, so that proper monitoring of pupil's immunization are adhered to.

Current Status

Implemented.

S-2015-005 – Teacher Certification and Misassignments

State Audit Guide Finding Codes: 40000 and 71000

Schools Affected

- Arleta Senior High School
- Augustus F Hawkins Senior High
- Dr. Maya Angelou Community Senior High
- Woodland Hills Academy Middle School

Recommendation

We recommend that the schools and District strengthen controls to ensure that the teachers are assigned to teach in a position consistent with the authorization of his/her certification.

Current Status

Implemented.

INDEPENDENT AUDITOR'S MANAGEMENT LETTER

SIMPSON & SIMPSON
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December 14, 2017

The Honorable Board of Education
Los Angeles Unified School District
Los Angeles, California

Members of the Board:

In planning and performing our audit of the financial statements of the **Los Angeles Unified School District** (District) as of and for the year ended June 30, 2017, in accordance with auditing standards generally accepted in the United States of America, we considered the District's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies as items FS-2017-001.

Although not considered to be significant deficiencies or material weaknesses, we also noted certain items during our audit, which we would like to bring to your attention. These comments are summarized in the following report to management on page 211. Our observations and recommendations have been discussed with appropriate members of management and are intended to strengthen internal controls and operating efficiency.

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This communication is intended solely for the information and use of the Board of Education, District management, the State Controller's office, federal awarding agencies, and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

Simpson & Simpson

Current Year Management Letter Comments

ML-2017-001 Business Continuity Planning Project

Condition

Our review of the Business Continuity Planning project for LAUSD revealed that a Business Continuity Plan (BCP)for Information Technology Division (ITD) mission critical business processes and accounting systems (for example, SAP Payroll, MISIS, Welligent, CMS, etc.) have not been documented. This is a result of ITD not being classified as a Tier 1 Division in the District's BCP Strategic Execution Plan (SEP).

Recommendation

We recommend that mission critical ITD business processes and systems be included in the District's BCP SEP TIER 1 classification to ensure business continuity and disaster recovery plans are developed in a timely manner for ITD's mission critical processes and systems.

Management Response

ITD will be included with the other TIER 1 Divisions and develop Business Continuity Plans for the major business units within the division. Additionally, ITD is seeking an SRM Architect that will design the processes for the failover of the major systems to the Secondary Data Center, as well as the transfer back to the Primary Data Center.

Status of Prior Year Management Letter Comments

ML-2016-001 Business Continuity /IT Disaster Recovery Planning
ML-14-07 Business Continuity /IT Disaster Recovery Planning

Recommendation

A Business Continuity Plan that addresses the requirements for resilience, alternative processing and recovering the capability of critical district processes and IT services should be developed. The plan should be tested on a regular basis to ensure that operations and IT systems can be effectively recovered, shortcomings are addressed, and the plan remains relevant.

Current Status

Corrective action(s) partially implemented. The Business Continuity Plan and IT Disaster Recovery Planning are in process, but are not completed, for in-scope District functional units.

ML-2015-002 Security Management Policy and Procedures

Recommendation

We recommend that ITD management coordinate with District business/operations management to complete an information security plan (e.g., update, adopt and implement the November 2013 plan) and compile a comprehensive set of information security policies and procedures.

Current Status

Corrective action(s) partially implemented. A security plan has been completed. Information security management policy and procedures are in process. This is a five (5) year project starting this year (2017).

ML-2015-004 My Integrated Student Information Systems (MiSiS)

Recommendation

ITD management should implement an automated interface to process a file of employee status changes (e.g., school reassignments) against the MiSiS application security data.

Current Status

Corrective action(s) not implemented. See the FS-2017-001 (MISIS User Access) of the Schedule of Findings and Questioned Costs section.

Status of Prior Year Management Letter Comments

ML-2014-05 SAP Cost Center Assignments Transaction Access

Recommendation

Inappropriate access to the SAP cost center assignments transaction (PP03) should be removed in a timely manner. Also, the District's SAP GRC (Governance, Risk and Compliance) tool can be utilized to facilitate and document a periodic review (for example every 6 to 12 months) of SAP security roles by their respective business owner.

Current Status

Corrective action(s) implemented.