LOS ANGELES UNIFIED SCHOOL DISTRICT
PROPOSITION BB SCHOOL BOND CONSTRUCTION PROGRAM

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SIMPSON & SIMPSON
CERTIFIED PUBLIC ACCOUNTANTS

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

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

Independent Auditor's Report

The Honorable Board of Education
Los Angeles Unified School District:

We have audited the accompanying statement of bond expenditures (Statement) of the **Proposition BB School Bond Construction Program** of the Los Angeles Unified School District (the District) for the year ended June 30, 2015 and the related notes to the Statement.

Management's Responsibility for the Statement of Bond Expenditures

Management is responsible for the preparation and fair presentation of the Statement 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 the Statement that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the Statement based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the Statement is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Statement. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the Statement, 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 Statement 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 Statement.

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

Opinion

In our opinion, the statement of bond expenditures referred to above presents fairly, in all material respects, the expenditures of the Proposition BB School Bond Construction Program of the Los Angeles Unified School District for the year ended June 30, 2015 in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Supplementary and Other Information

Our audit was conducted for the purpose of forming an opinion on the statement of bond expenditures of the Proposition BB School Bond Construction Program of the Los Angeles Unified School District. The accompanying supplementary schedule of sources and uses of funds and fund balance and supplementary schedule of bond expenditures for the period from April 8, 1997 (inception) to June 30, 2015 (Supplementary Schedules), are presented for purposes of additional analysis, and are not a required part of the statement of bond expenditures.

The Supplementary Schedules have not been subjected to the auditing procedures applied in the audit of the statement of bond expenditures, and accordingly, we do not express an opinion or provide any assurance on them.

Simpson & Simpson

Los Angeles, California
February 9, 2016

LOS ANGELES UNIFIED SCHOOL DISTRICT
PROPOSITION BB SCHOOL BOND CONSTRUCTION PROGRAM
Statement of Bond Expenditures
Year Ended June 30, 2015

Cost Category	2015
Facilities Services Division (FSD) Capital Programs	
New Construction	$ 153,492
School Modernization	1,577,505
Charter Schools	103,335
Indirects	3,681,040
Total FSD Capital Programs	5,515,372
Total Expenditures, June 30, 2015	**$ 5,515,372**

See accompanying notes to statement of bond expenditures.

(1) Proposition BB School Bond Construction Program Background

Proposition BB Initiative (Proposition BB) authorized the Los Angeles Unified School District (District) to issue $2.4 billion in general obligation bonds. Bond proceeds are to be utilized for projects such as the repair of safety hazards, asbestos removal, installation of air-conditioning, making classrooms accessible to the disabled, upgrading security, and the construction of new classrooms. Proposition BB specifically states that no bond proceeds are to be used for administrator salaries.

The Proposition BB School Bond Construction Program (Program) is intended to provide needed health and safety improvements to more than 800 deteriorating schools and 15,000 buildings and to match state funds for new construction and modernization projects. The District Board of Education has established a Citizen's Oversight Committee to ensure that the proceeds of the Proposition BB School Bond Construction Program bond issuances are used for the purposes stated in the resolution, which placed the Proposition BB on the 1997 ballot.

(2) Basis of Presentation

The accompanying statement of bond expenditures has been prepared in conformity with U.S. generally accepted accounting principles. The accompanying statement of bond expenditures reflects the flow of current financial resources measurement focus and is presented on the modified accrual basis of accounting.

a) Actual Expenditures Incurred

The amounts included within the accompanying statement of bond expenditures represent actual expenditures paid and accrued by the District for the year ended June 30, 2015, adjusted by discounts received from the vendors. The actual expenditure amounts included expenditures of bond proceeds, reimbursements of bond proceeds, and interest earned on the bond proceeds and reimbursements.

b) Cost Category

The major cost categories in the statement of bond expenditures for Proposition BB represent bond programs funded by the bond. The cost category “Indirects” refer to all expenditures that should not or cannot be reasonably attributed to individual projects.

An example of “Indirect” cost is program management. Program management, includes program-level support costs for staff members of the Facilities Executive Office and Facilities Services Division (FSD) branches as well as non-FSD support which includes costs of support staff outside of FSD charged to the bond program, such as offices of the General Counsel, Inspector General, Accounts Payable, and Risk Management.

UNAUDITED SUPPLEMENTARY SCHEDULES

LOS ANGELES UNIFIED SCHOOL DISTRICT
PROPOSITION BB SCHOOL BOND CONSTRUCTION PROGRAM
Unaudited Supplementary Schedule of Sources and Uses of Funds and Fund Balance
Period from April 8, 1997 (inception) through June 30, 2015
(Unaudited)

Sources of Funds from Inception through June 30, 2015:	
Bonds Issued - FY 1997-98 through FY 2002-03 (final issuance)	$ 2,400,000,000
Interest Income - FY 1997-98 through FY 2013-14	177,095,693
Interest Income - FY 2014-15	163,524
Local Income - FY 2001-02 through FY 2013-14	239,866
Transfers In (Reimbursements) - Other Financing Sources (OFS) FY 2006-07 through FY 2013-14	196,932,777
Transfers In (Reimbursements) - OFS FY 2014-15	2,017,754
Total Sources of Funds, June 30, 2015	2,776,449,614
Uses of Funds (Expenditures) from Inception through June 30, 2015	(2,761,616,208)
Fund Balance, June 30, 2015	**$ 14,833,406**

See accompanying independent auditor's report.

LOS ANGELES UNIFIED SCHOOL DISTRICT
PROPOSITION BB SCHOOL BOND CONSTRUCTION PROGRAM
Unaudited Supplementary Schedule of Bond Expenditures
Period from April 8, 1997 (inception) through June 30, 2015
(Unaudited)

		Actual Expenditures Incurred			
Cost Category	**Adjusted Budget**	**April 8, 1997 (Inception) through June 30, 2014**	**Expenditures Year Ended June 30, 2015**	**Total Expenditures through June 30, 2015**	**Unexpended Balance**
Facilities Services Division (FSD) Capital Programs					
New Construction	$ 828,112,719	$ 822,567,182	$ 153,492	822,720,674	$ 5,392,045
School Modernization	1,915,043,208	1,910,135,549	1,577,505	1,911,713,054	3,330,154
Charter Schools	116,215		103,335	103,335	12,880
Indirects	9,841,361	61,998	3,681,040	3,743,038	6,098,323
Total FSD Capital Programs	2,753,113,503	2,732,764,729	5,515,372	2,738,280,101	14,833,402
Other Costs					
Employee Benefits	3,100,417	3,100,417	-	3,100,417	-
Cost of Issuance	1,140,865	1,140,865	-	1,140,865	-
Office of Inspector General	3,750,000	3,749,996	-	3,749,996	4
Total Other Costs	7,991,282	7,991,278	-	7,991,278	4
Other Financing Uses					
COPs Defeasance: Transfers Out to Debt Service Fund	15,344,829	15,344,829	-	15,344,829	-
Total Other Financing Uses	15,344,829	15,344,829	-	15,344,829	-
Total Proposition BB Bond Expenditures	**$ 2,776,449,614**	**$ 2,756,100,836**	**$ 5,515,372**	**$ 2,761,616,208**	**$ 14,833,406**

See accompanying independent auditor's report and notes to unaudited supplementary schedule of bond expenditures.

LOS ANGELES UNIFIED SCHOOL DISTRICT
PROPOSITION BB SCHOOL BOND CONSTRUCTION PROGRAM
Notes to Unaudited Supplementary Schedule of Bond Expenditures
Period from April 8, 1997 (inception) through June 30, 2015
(Unaudited)

(1) Background

The unaudited supplementary schedule of bond expenditures, presents expenditures of the Proposition BB School Bond Construction Program for the period from April 8, 1997 (inception) through June 30, 2015.

(2) Basis of Presentation

The accompanying unaudited supplementary schedule of bond expenditures has been prepared in conformity with U.S. generally accepted accounting principles. The accompanying unaudited supplementary schedule of bond expenditures reflects the flow of current financial resources measurement focus and is presented on the modified accrual basis of accounting.

a) Adjusted Budget

The amounts included within the adjusted budget column in the accompanying unaudited supplementary schedule of bond expenditures represent the prior year expenditures from April 8, 1997 (inception) through June 30, 2014 and FY 2014-15 budget authority requested from the Board of Education for costs that are expected to be expended and/or obligated to complete the various projects.

b) Actual Expenditures Incurred

The amounts included within the actual expenditures incurred columns in the accompanying unaudited supplementary schedule of bond expenditures represent actual expenditures paid and accrued by the District for the period from April 8, 1997 (inception) through June 30, 2015, adjusted by discounts received from the vendors. The actual expenditure amounts included expenditures of bond proceeds, reimbursements of bond proceeds, and interest earned on the bond proceeds and reimbursements.

c) Unexpended Balance

The amounts included within the unexpended balance column in the accompanying unaudited supplementary schedule of bond expenditures represent the difference between the adjusted budget column and the total expenditures through June 30, 2015 column.

d) Cost Category

The major cost categories in the unaudited supplementary schedule of bond expenditures for Proposition BB represent bond programs funded by the bond. The cost category "Indirects" refer to all expenditures that should not or cannot be reasonably attributed to individual projects.

An example of "Indirect" cost is program management. Program management, includes program-level support costs for staff members of the Facilities Executive Office and Facilities Services Division (FSD) branches as well as non-FSD support which includes costs of support staff outside of FSD charged to the bond program, such as the Office of the General Counsel, Inspector General, Accounts Payable, and Risk Management.