

LOS ANGELES UNIFIED SCHOOL DISTRICT
Proposition BB, Measure K, Measure R, and
Measure Y School Bond Construction Programs
Agreed-Upon Procedures Report
For the Year Ended June 30, 2014,
Statements of Bond Expenditures
and Supplementary Schedules as of June 30, 2014
(With Independent Auditor's Reports Thereon)





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Independent Accountant's Report on Applying Agreed-Upon Procedures and Management's Responses to Exceptions

The Honorable Board of Education
Los Angeles Unified School District:

We have performed the procedures enumerated below, for the Proposition BB, Measure K, Measure R, and Measure Y School Bond Construction Programs (Bond Programs) which were agreed to by the Los Angeles Unified School District's (the District or LAUSD) officials and bond oversight committee, solely to assist the District and its management in fulfilling its oversight responsibility surrounding the administration of the Bond Programs for the year ended June 30, 2014. District management is responsible for the administration of the Bond Programs. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

Our procedures and the corresponding findings are as follows. The samples selected below were for Proposition BB, Measure K, Measure R, and Measure Y expenditures, unless otherwise noted.

Procedure 1A

From a population of all expenditures charged to Commitment Item #500000 in the general ledger for the year ended June 30, 2014, we selected 40 expenditures from the Local Bond Funds (Proposition BB, Measure K, Measure R, and Measure Y) to represent the following distributions:

- 18 expenditures to represent Facilities (non-Maintenance and Operations (M&O))
- 10 expenditures to represent M&O
- 10 expenditures to represent Information Technology Division (ITD) – Samples to include expenditures for the Instruction Technology Initiative (ITI) and My Integrated Student Information System (MiSiS) projects.
- 2 expenditures to represent Integrated Library and Textbook Support Services (ILTSS)

We obtained supporting invoices for the expenditures selected and performed the following procedures:

- 1.1** We tested the 40 invoices from the different Bond Funds selected in Procedure 1A to determine whether amounts expended were consistent with the work scope of each of the respective bond measures as presented to the voters and further defined by various Board approved Strategic Execution Plans and amendments.

Results

We read the ballot measures to understand the work scope and list of specific projects proposed to be financed with the proceeds of the Local Bonds. We then inspected the invoices supporting the samples tested to determine whether amounts expended were consistent with the work scope of each bond measure. As required by Section 3 of Proposition 39, a list of specific projects is to be presented to the voter in each ballot. As such, we identified the projects to which the above expenditures were incurred and traced these projects to the Bond Project List presented in the Full Text of Ballot Measure K, R and Y (Proposition BB was issued under the traditional authority and not under Proposition 39; therefore references to specific school facilities projects were not required).

No exceptions were noted as a result of performing this procedure.

- 1.2** We tested the 40 invoices from the different Local Bond Funds selected in Procedure 1A, to determine whether the corresponding projects or non-project allocations in each of the invoices were included in the related Strategic Execution Plan (SEP) or approved SEP amendments. If the invoice had multiple projects, up to 5 projects from the invoice were traced to the SEP.

Results

No exceptions were noted as a result of performing this procedure.

- 1.3** For the items selected in Procedure 1A that represents FSD construction payments, we determined whether the following requirements of construction project payment procedures had been met:

- a) There are signatures on the required lines where the Contractor has certified the Application for Payment; and that the Owner Authorized Representative (OAR) has certified that the services have been rendered.
- b) Payment package includes the Encumbrance/Payment request form, the Application for Payment, the Owner Assessment Summary, and other necessary supporting documents.

Results

There were 12 samples that we selected in Procedure 1A above which represented construction payments. No exceptions were noted as a result of performing this procedure.



- 1.4 For the items selected in Procedure 1A above, we determined whether the payment package was appropriately approved and reviewed for payment.

Results

No exceptions were noted as a result of performing this procedure.

Procedure 1B

From the population of all expenditures charged to Commitment Item #700000 in the general ledger for the fiscal year ended June 30, 2014, we selected a total of up to five (5) inter-fund transfers out (IFT-Out) transaction samples from the Proposition 39 Local Bond funds (Measure K, Measure R, and Measure Y) to represent Board-authorized Bond work scope that is executed outside of the Local Bond funds. We traced the inter-fund transfer from Local Bond funds to the non-Bond program (functional area) where the work scope commitments are recorded and selected a total of 10 non-labor expenditure samples charged to Commitment Items #400000, #500000, and #600000, related to the Bond inter-fund transfers out. We obtained supporting invoices for these selected expenditures and performed the following procedure:

- 1.5 For each invoice selected in Procedure 1B, we determined whether amounts expended were consistent with the work scope in the Board Report authorizing Other Financing Uses of Bond funds.

Results

No exceptions were noted as a result of performing this procedure.

Procedure 2

From the population of all expenditures charged to Commitment Item #500000 in the general ledger for the fiscal year ended June 30, 2014, we selected a total of 20 expenditure samples from the Local Bond funds (Proposition BB, Measure K, Measure R, and Measure Y) corresponding to 20 staff augmentation / professional services staffing agreements with 12 samples representing Facilities (non-M&O), 2 samples representing M&O, and 6 samples representing ITD. We obtained supporting invoices for these selected expenditures and performed the following procedure:

- 2.1 We obtained a copy of each agreement, and reviewed each invoice selected in procedure 2, and reviewed the rates of the individuals within the invoices, to determine the consistency with the terms of the agreement. We reviewed up to five individuals for each invoice tested.

Results

No exceptions were noted as a result of performing this procedure.

Procedure 3

From the population of all expenditures charged to Commitment Items #100000 and #200000 in the general ledger for the fiscal year ended June 30, 2014, we selected a total of 20 expenditure samples from the Proposition 39 Local Bond funds (Measure K, Measure R, and Measure Y) representing the following distribution:

- 6 expenditures to represent Facilities (excluding M&O),
- 6 expenditures to represent M&O,
- 4 expenditures to represent ITD,
- 1 expenditure to represent ILTSS,
- 1 expenditure to represent OIG,
- 1 expenditure to represent OGC, and
- 1 expenditure to represent Finance.

We performed the following procedure:

- 3.1** For each expenditure selected in procedure 3 for Proposition 39 Local Bond funds (Measure K, Measure R, and Measure Y), we determined whether the items selected were spent on “administrator salaries” as referenced in the ballot measures, or “teacher salaries” as referenced in the State Proposition 39 as codified in the State Constitution, Article 13A, Section 1(b) (3) (A). Refer to additional guidance provided by the California Attorney General regarding “...Employee Salaries for Bond Program Administrative Oversight”.

Results

No exceptions were noted as a result of performing this procedure.

Procedure 4

From the population of all expenditures charged to Commitment Items #400000 and #500000 in the general ledger for the fiscal year ended June 30, 2014, select a total of 40 expenditure samples from the Proposition 39 Local Bond funds (Measure K, Measure R, and Measure Y) to represent the following distribution:

- 12 expenditures to represent Facilities (excluding M&O),
- 12 expenditures to represent M&O,
- 8 expenditures represent ITD,
- 2 expenditures to represent ILTSS,
- 2 expenditures to represent OIG,
- 2 expenditures to represent OGC, and
- 2 expenditures to represent Finance.

We obtained supporting invoices for the selected expenditures and performed the following procedure:

- 4.1** Review the invoices selected in procedure 4 to determine whether bond funds were used for “other day-to-day school operating expenses” as referenced in the State Proposition 39 as codified in the State Constitution Article 13A, Section 1 (b) (3) (A). Refer to additional guidance provided by the California Attorney General regarding “...Employee Salaries for Bond Program Administrative Oversight”.

Results

We noted no expenditures in Commitment Items #400000 and #500000 for the OGC. As such this procedure is not applicable for this department.

No exceptions were noted as a result of performing this procedure.

Procedure 5

From a population of all expenditures charged to Commitment Items #100000, #200000, #400000, and #500000 in the general ledger for the fiscal year ended June 30, 2014 from the Local Bond funds (Proposition BB, Measure K, Measure R, and Measure Y), we selected all expenditures from the samples selected in Procedure 2, Procedure 3, and Procedure 4 above and obtained corresponding invoices. We tested the sample of invoices to determine compliance with District Bond Charging Procedures.

Results

In conjunction with the issuance of Local Bonds, the District drafted Bond Charging Procedures for Measures K, R and Y and Proposition BB to provide procedures relating to the distribution and assignment of costs. Based on the bond charging procedures, bond proceeds shall not be applied to any purposes other than those for which the bonds were issued. In addition, there are other general guidelines such as the intent of the voters as reflected in the Bond Project List, Strategic Execution Plan and the California School Accounting Manual. These are guidelines being referred to in the Bond Charging Procedures. We examined the invoices to determine compliance with District Bond Charging Procedures.

No exceptions were noted as a result of performing this procedure.

Procedure 6

From a list of change orders generated from the COLIN or Maximo systems approved during the fiscal year ended June 30, 2014, we selected a total of 25 samples, including up to 5 samples from M&O, if any, from the population of all the Local Bond funds (Proposition BB, Measure K, Measure R, and Measure Y). We obtained the District Change Order Procedures and performed the following review to determine compliance with the procedures.

- 6.1** We determined compliance with the following Change Order Policy approval thresholds:
- For new construction work, individual Change Orders may not exceed ten percent (10%) of the original contract price.

- For demolition, reconstruction or rehabilitation work of existing structures, individual Change Orders may exceed ten percent (10%) according to Public Contract Code, but must not exceed twenty-five percent (25%) of the original contract price.

Results

No exceptions were noted as a result of performing this procedure.

- 6.2 We determined whether the change order package was submitted with the required documents in accordance with the Change Order checklist from the change order preparation requirements (the checklist form is not required to be included in retained documentation).

Results

No exceptions were noted as a result of performing this procedure.

- 6.3 For End User-initiated change orders, we verified whether the related scope changes did not commence nor the Owner Authorized Representative (OAR) did not process the Change Order until the following has been completed:

- a) End User-initiated Scope Change Request Form completed by OAR
- b) Review and approval by Construction Manager/ Senior Project Manager, Regional Construction Director and Deputy Director of Facilities Project Execution
- c) Request For Proposal (RFP) or Constructive Directive (CD) issued to Contractor.

Results

One (1) of the 20 samples we tested is an End User-initiated change order. No exceptions were noted as a result of performing this procedure.

- 6.4 We verified compliance with the signatory requirements on the Change Order form.

Results

No exceptions were noted as a result of performing this procedure.

- 6.5 We reviewed the change orders for splitting for the purpose of avoiding threshold limits.

Results

For the samples selected, we searched for additional change orders approved for the same contract during fiscal year ended June 30, 2014, and verified that either the initial submittal of the change orders occurred on different dates, or the nature of the services to be performed on the change orders were not related.

No exceptions were noted as a result of performing this procedure.

Procedure 7

We determined whether the total expenditures reported in the year-end “Summary Statements of Bond Expenditures and Other Uses” for each Local Bond fund reconcile with the corresponding Comprehensive Annual Financial Report (CAFR) bond fund expenditures for the year ended June 30, 2014.

Results

No exceptions were noted as a result of performing this procedure.

Procedure 8

We selected a sample of 10 New Construction projects from the December 2014 Facilities Services Division (FSD) Strategic Execution Plan (SEP). We reviewed the sample projects for compliance with the LAUSD School Construction Bond Citizens’ Oversight Committee (BOC) Memorandum of Understanding for New Construction projects for approved changes that occur in the fiscal year ended June 30, 2014:

- 8.1 For each of the 10 projects, we compared the SEP project budgets from the June 2013 FSD SEP to the December 2014 FSD SEP. For each project with a 2014 FSD SEP project budget that is greater than 105% of the 2013 FSD SEP project budget, if applicable, we determined if the budget increase was reported to the BOC.

Results

No exceptions were noted as a result of performing this procedure.

- 8.2 For each of the 10 projects, we compared the project’s scheduled school occupancy date from the June 2013 FSD SEP to the December 2014 FSD SEP. For each project with a 2014 FSD SEP school occupancy date that is later than the 2013 FSD SEP school occupancy date, if applicable, we determined if the project’s schedule change in readiness for use as a school or campus element was reported to the BOC.

Results

No exceptions were noted as a result of performing this procedure.

- 8.3 For each of the 10 projects, we compared the project’s scope from the June 2013 FSD SEP to the December 2014 FSD SEP. For each project with a 2014 FSD SEP scope that differs significantly from the 2013 FSD SEP scope, if applicable, we determined if the project’s scope change was reported to the BOC.

Results

No exceptions were noted as a result of performing this procedure.

Procedure 9

We selected a sample of four (4) Local Bond Information Technology Division (ITD) projects from the 2014 ITD SEP, one each from the four ITD project types: Instruction Technology Initiative (ITI), My Integrated Student Information System (MiSiS), Information Technology Network Upgrade, and Radio Systems. We reviewed for compliance with the LAUSD School Construction Bond Citizens' Oversight Committee (BOC) Memorandum of Understanding for ITD projects:

- 9.1 For each of the four (4) project types selected in procedure 9, we compared the 2014 ITD SEP Current Budget to the 2013 ITD SEP Current Budget. For each project with a 2014 ITD SEP Current Budget that is greater than 105% of the 2013 ITD SEP Current Budget, if applicable, we determined whether the budget increase was reported to the BOC.

Results

No exceptions were noted as a result of performing this procedure.

- 9.2 For each project selected in procedure 9 that was cancelled when compared to the 2013 ITD SEP, if applicable, we determined whether the project cancelled was reported to the BOC.

Results

We did not note any projects in the 2013 ITD SEP that were cancelled in the 2014 ITD SEP. No exceptions were noted as a result of performing this procedure.

Procedure 10

We inquired of District management as to whether a survey of the compensation of managers of major construction programs and managers of major public and private facilities in comparable locations across the United States in both the public and private sector had been performed in accordance with the provision of Measure Y.

- 10.1 We determined whether Facilities Services Division management compensation survey was performed and presented to the Board of Education.
- 10.2 We determined whether the Board of Education declared a finding that the managers of the District's Facilities Services Division are being compensated accordingly.

Results

According to the provisions of Measure Y, managers of the Facilities Services Division shall have the educational and employment experience comparable to that of persons with similar responsibility in the private sector.

To ensure that the District employs managers of the Division who are so qualified, the Board shall no less than biennially, cause a survey of compensation of managers of major construction programs and managers of major public and private sectors, and the Board shall make a finding that the managers of the District's Facilities Services Division are being compensated accordingly.

We inquired of District management and verified that a survey was performed by the District's Personnel Commission in FY 13-14 that was aimed at addressing the provisions of Measure Y above. Although a survey was conducted, the District did not present the results of the survey to the Board of Education.

Consequently, the District was unable to obtain a declaration from the Board of Education that the managers of the District's Facilities Services Division are being compensated accordingly. Based on the information gathered above, the District is not in full compliance with the requirements of Measure Y.

Management Response

The District's Personnel Commission completed a draft report on management compensation, including compensation for employees in the Facilities Services Division. This report had been shared with Senior Leadership. Given continuing District budget concerns, management will discuss next steps regarding this report, including the requirements set forth in the District's local bond measures.

Procedure 11

We followed-up with management regarding the status of the FY 12-13 findings. See below for prior year findings, and the current status:

Finding – FY 12-13 - Procedure 1.4

For the items selected in Procedure 1, we determined whether the payment package was appropriately approved and reviewed for payment.

- a) The invoice was appropriately approved by a Los Angeles Unified School District employee on the Encumbrance/Payment request form or other appropriate approval form.
- b) For each invoice, the related encumbrance/payment request was signed by the District FPPS Analyst for accuracy, completeness, and proper approvals prior to the processing of the payments.

Results

We noted one (1) item that was not signed by an FPPS Analyst for accuracy, completeness, and proper approvals prior to the processing of the payments. However, the item was properly reviewed and approved by authorized District personnel.



Management Response

Management concurs that the request for replenishment of the Utilities imprest account is an exception to the Facilities payment process and was properly reviewed and approved by authorized District personnel. The sample is not a payment for a vendor invoice. It is an internal request to Accounts Payable to replenish the \$500,000 Utilities imprest account. The Encumbrance/Payment Request was appropriately reviewed by the District FPPS Financial Specialist and approved by the Director of Program Support Services. The Imprest Fund Claim Form was certified by the Director of Program Support Services, the Imprest account administrator, in compliance with Bulletin No. REF-1706.2 Imprest Funds, Guidance on the Appropriate Use of Imprest Fund Accounts.

Current Status

Implemented. The sample referred to above does not undergo the standard FSD invoice review process, but is reviewed in accordance with the Guidance on the Appropriate use of Imprest Fund Accounts. As such, the procedure, as it was written in the prior year, was not applicable to this sample. In response to the finding, the current year agreed upon procedure has been modified by removing the (a) and (b) requirements noted in the FY 12-13 procedure, which was only applicable to FSD vendor invoice processing. This allows for all costs, from all tested departments, charged to Commitment Item #500000, to be tested.

Finding – FY 12-13 - Procedure 2

From the population of all expenditures charged to Object Code #1000 and #2000 in IFS to the Proposition BB, Measure K, Measure R and Measure Y bond funds, collectively referred to as the Local Bond Funds, for the fiscal year ended June 30, 2013, we selected 10 total expenditures for all Local Bond Funds combined (Proposition BB, Measure K, Measure R, and Measure Y) to perform the following procedures:

- 2.1 We determined whether the items selected for Measure K, Measure R and Measure Y were spent on “administrator salaries” as referenced in the ballot measures, or “teacher salaries” as referenced in the State Proposition 39 as codified in the State Constitution, Article 13A, Section 1(b) (3) (A) and the California Attorney General.

Results

After interviewing 10 employees whose salaries were fully or partly charged to the bond funds, we noted one (1) employee whose job description did not establish clear compliance with the requirements of Measures Y. The employee’s job title is “investigator”. He works as part of the Investigations Unit of the Office of the Inspector General. He stated that his main projects include performing due diligence for charter schools, as part of LAUSD’s evaluation process of such schools. He also worked on investigating potential new hires, as requested by the Human Resources Department. In FY 12-13, he also worked on projects involving investigating suppliers that contracted with the Facilities Department. His salary was fully charged to Measure Y in FY 12-13.

Management Response

The OIG investigative staff does not currently track its time by project or funding source so it is not possible to identify the level of staff time with a funding source. Going forward, the OIG will implement a policy to track investigative staff time by project and by funding source to ensure that the appropriate allocation of staff time to funding source is maintained.

Current Status

Implemented. The OIG has implemented a Bond-work logging system within the OIG's internal timekeeping system, Time Matters, in March 2014, and have trained all investigative and administrative staff with regards to the functionality of the system. The OIG requires all investigative and administrative staff to input their time into the timekeeping system by identifying the individual Case / Project Name worked on, and to whether those projects are Local Bond Fund projects, or projects funded through other sources. The staff logs their respective work times on a daily basis.

Finding – FY 12-13 - Procedure 10

We inquired of District management as to whether a survey of the compensation of managers of major construction programs and managers of major public and private facilities in comparable locations across the United States in both the public and private sector had been performed in accordance with the provision of Measure Y.

10.1 We determined whether Facilities Services Division management compensation survey was performed and presented to the Board of Education.

10.2 We determined whether the Board of Education declared a finding that the managers of the District's Facilities Services Division are being compensated accordingly.

Results

According to the provisions of Measure Y, managers of the Facilities Services Division shall have the educational and employment experience comparable to that of persons with similar responsibility in the private sector.

To ensure that the District employs managers of the Division who are so qualified, the Board shall no less than biennially, cause a survey of compensation of managers of major construction programs and managers of major public and private sectors, and the Board shall make a finding that the managers of the District's Facilities Services Division are being compensated accordingly.

We inquired of District management and verified that there was no survey performed by the District's Personnel Commission in FY 12-13 that was aimed at addressing the provisions of Measure Y above. Consequently, the District failed to declare a finding that the managers of the District's Facilities Services Division are being compensated accordingly.

Based on the information gathered above, the District is not in compliance with the requirements of Measure Y.

Management Response

In light of the severity of the recent State financial crisis, the District has not been in a position to provide compensation increases to its employees, including the management of the Facilities Services Division. In the fall of 2013, the Superintendent requested that the Personnel Commission incorporate the required salary study of Facilities executive management into a broader, more comprehensive study of all management staff. Staff anticipates completion of this study before the end of this calendar year.

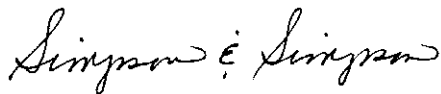
Current Status

Partially implemented. The management compensation survey was conducted, but was not reported to the Board of Education, and as such, the District was unable to obtain a declaration from the Board of Education that the managers of the District's Facilities Services Division are being compensated accordingly.

We were not engaged to, and did not conduct an examination, the objective of which would be the expression of an opinion on the District's administration of the Proposition BB, Measure K, Measure R and Measure Y School Bond Construction Program. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

The District's written response to the exceptions identified in the report has not been subjected to auditing procedures and accordingly, we do not express an opinion on it.

The report is intended only for the information and use of the Board of Education, management, and members of the Citizens' Oversight Committee of the Los Angeles Unified School District and is not intended to be, and should not be used by anyone other than these specified parties.



Los Angeles, California
February 18, 2015

LOS ANGELES UNIFIED SCHOOL DISTRICT
PROPOSITION BB SCHOOL BOND CONSTRUCTION PROGRAM
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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, 2014 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.

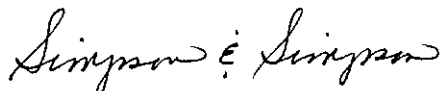
Opinion

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, 2014 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, 2014 (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.



Los Angeles, California
February 18, 2015

LOS ANGELES UNIFIED SCHOOL DISTRICT
PROPOSITION BB SCHOOL BOND CONSTRUCTION PROGRAM
Statement of Bond Expenditures
Year Ended June 30, 2014

<u>Cost Category</u>	<u>2014</u>
Facilities Services Division (FSD) Capital Programs	
New Construction	\$ 37,027
School Modernization	513,595
Indirects	<u>61,998</u>
Total FSD Capital Programs	<u>612,620</u>
Total Expenditures, June 30, 2014	<u>\$ 612,620</u>

See accompanying notes to statement of bond expenditures.

LOS ANGELES UNIFIED SCHOOL DISTRICT
PROPOSITION BB SCHOOL BOND CONSTRUCTION PROGRAM

Notes to Statement of Bond Expenditures
Year Ended June 30, 2014

(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, 2014, 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 format of the statement of bond expenditures for the year ended June 30, 2014 has been revised. 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, 2014
 (Unaudited)

Sources of Funds from Inception through June 30, 2014:	
Bonds Issued - FY 1997-98 through FY 2002-03 (final issuance)	\$ 2,400,000,000
Interest Income - FY 1997-98 through FY 2012-13	176,999,173
Interest Income - FY 2013-14	96,520
Local Income - FY 2001-02	93,057
Local Income - FY 2013-14	146,809
Transfer In (Reimbursements) - Other Financing Sources (OFS)	
FY 2006-07 through FY 2012-13	196,932,777
Total Sources of Funds, June 30, 2014	<u>2,774,268,336</u>
Uses of Funds (Expenditures) from Inception through June 30, 2014	<u>(2,756,100,836)</u>
Fund Balance, June 30, 2014	<u><u>\$ 18,167,500</u></u>

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, 2014
(Unaudited)

Cost Category	Adjusted Budget	Actual Expenditures Incurred			Unexpended Balance
		April 8, 1997 (Inception) through June 30, 2013	Expenditures Year Ended June 30, 2014	Total Expenditures through June 30, 2014	
Facilities Services Division (FSD)					
Capital Programs					
New Construction	\$ 828,112,719	\$ 822,530,155	\$ 37,027	\$ 822,567,182	\$ 5,545,537
School Modernization	1,922,757,508	1,909,621,954	513,595	1,910,135,549	12,621,959
Indirects	61,998	-	61,998	61,998	-
Total FSD Capital Programs	2,750,932,225	2,732,152,109	612,620	2,732,764,729	18,167,496
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	\$ 2,774,268,336	\$ 2,755,488,216	\$ 612,620	\$ 2,756,100,836	\$ 18,167,500

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, 2014

(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, 2014.

(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, 2013 and FY 2013-14 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, 2014, 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, 2014 column.

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, 2014

(Unaudited)

d) Cost Category

The format of the statement of the unaudited supplementary schedule of bond expenditures for the year ended June 30, 2014 has been revised. Certain cost categories for expenditures incurred from inception to June 30, 2013 have been reclassified, however, these reclassifications have no impact on the total bond expenditures. 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.

LOS ANGELES UNIFIED SCHOOL DISTRICT
MEASURE K SCHOOL BOND CONSTRUCTION PROGRAM
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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 **Measure K School Bond Construction Program** of the Los Angeles Unified School District (the District) for the year ended June 30, 2014 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 Measure K School Bond Construction Program of the Los Angeles Unified School District for the year ended June 30, 2014 in accordance with accounting principles generally accepted in the United States of America.

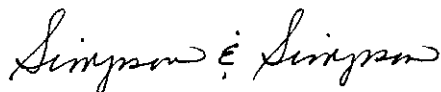
Other Matters

As described in note 2 to the statement of bond expenditures, the accompanying statement of bond expenditures was prepared to comply with the requirements of California's Proposition 39, *Smaller Classes, Safer Schools and Financial Accountability Act*.

Supplementary and Other Information

Our audit was conducted for the purpose of forming an opinion on the statement of bond expenditures of the Measure K 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 November 5, 2002 (inception) to June 30, 2014 (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.



Los Angeles, California
February 18, 2015

**LOS ANGELES UNIFIED SCHOOL DISTRICT
MEASURE K SCHOOL BOND CONSTRUCTION PROGRAM**

Statement of Bond Expenditures
Year Ended June 30, 2014

Cost Category	2014
Facilities Services Division (FSD) Capital Programs	
New Construction	\$ 6,930,878
School Modernization	9,809,254
Early Childhood Education	1,167,073
Charter Schools	1,565,068
Indirects	5,754,166
Total FSD Capital Programs	25,226,439
Information Technology Division (ITD) Capital Programs	
Information Technology Network Upgrade	16,634,707
Virtual Learning Complex Planning	509,998
Total ITD Capital Programs	17,144,705
Library Services	2,120,104
Total Expenditures, June 30, 2014	\$ 44,491,248

See accompanying notes to statement of bond expenditures.

LOS ANGELES UNIFIED SCHOOL DISTRICT
MEASURE K SCHOOL BOND CONSTRUCTION PROGRAM

Notes to Statement of Bond Expenditures

Year Ended June 30, 2014

(1) Measure K School Bond Construction Program Background

The Measure K School Bond Construction Program (Program) approved by the voters under California Proposition 39, known as the *Smaller Classes, Safer Schools and Financial Accountability Act* (Prop 39), is intended to provide the Los Angeles Unified School District (District) funding for continued improvements to schools and to build new neighborhood schools that will provide an additional 112,000 new seats for children. Additionally, the Program has set funds aside for improving the neighboring communities by enhancing recreational activities and providing after-school space by constructing new schools, new parks and libraries.

The Board of Education has established a School Construction Bond Citizens' Oversight Committee to ensure that the proceeds of the Program's bond issuances are used for the purposes stated in the resolution, which placed Measure K on the 2002 ballot. The Measure K School Bond initiative authorized the issuance of \$3.35 billion in bonds. \$3.35 billion has since been issued between February 2003 and June 2010. The proceeds from the Measure K School Bonds are to be used for projects such as repairing leaky roofs, connecting classrooms to intranets and the internet, equipping libraries at new schools with the initial stock of new books, and construction of new schools and early education centers. All projects to be funded under the Program must be included in the Strategic Execution Plans approved by the Board of Education. The District has established General Obligation Bond Charging Guidelines to outline the allowable expenditures for the Program. Such guidelines specifically state that no funds will be spent for teacher, administrator salaries, or for operating expenses. All projects are managed by District-approved project managers. Each project manager is responsible for managing all project-related activities, including the maintenance of the District's master schedule and the master project budget.

(2) Basis of Presentation

The accompanying statement of bond expenditures has been prepared in conformity with U.S. generally accepted accounting principles. The statement of bond expenditures reflects the flow of current financial resources measurement focus and is presented on the modified accrual basis of accounting. Prop 39 requires an annual, independent financial audit of the expenditures of proceeds from the sale of the school facilities bonds until all of the proceeds have been expended. Accordingly, the statement of bond expenditures includes all amounts expended using bond proceeds regardless of expenditure types.

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, 2014, 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.

LOS ANGELES UNIFIED SCHOOL DISTRICT
MEASURE K SCHOOL BOND CONSTRUCTION PROGRAM

Notes to Statement of Bond Expenditures
Year Ended June 30, 2014

b) Cost Category

The format of the statement of bond expenditures for the year ended June 30, 2014 has been revised. The major cost categories in the statement of bond expenditures for Measure K 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, Accounts Payable, and Risk Management.

UNAUDITED SUPPLEMENTARY SCHEDULES

LOS ANGELES UNIFIED SCHOOL DISTRICT
MEASURE K SCHOOL BOND CONSTRUCTION PROGRAM
Unaudited Supplementary Schedule of Sources and Uses of Funds and Fund Balance
Period from November 5, 2002 (inception) to June 30, 2014
(Unaudited)

Sources of Funds from Inception through June 30, 2014:

Bonds Issued - FY 2002-03 through FY 2009-10 (final issuance)	\$ 3,350,000,000
Interest Income - FY 2002-03 through FY 2012-13	136,406,695
Interest Income - FY 2013-14	1,992,306
Local Income - FY 2013-14	71,052
Transfers In (Reimbursements) - Other Financing Sources (OFS)	
FY 2006-07 through FY 2012-13	513,020,987
Adjustments - Bond Premium, net of Cost of Issuance FY 2006-07	5,482,312
Adjustments - Cost of Issuance/Underwriter's Discount FY 2008-09	<u>(1,111,624)</u>
Total Sources of Funds, June 30, 2014	4,005,861,728
Uses of Funds (Expenditures) from Inception through June 30, 2014	<u>(3,753,184,173)</u>
Fund Balance, June 30, 2014	<u><u>\$ 252,677,555</u></u>

See accompanying independent auditor's report.

LOS ANGELES UNIFIED SCHOOL DISTRICT
MEASURE K SCHOOL BOND CONSTRUCTION PROGRAM
 Unaudited Supplementary Schedule of Bond Expenditures
 Period from November 5, 2002 (inception) to June 30, 2014
 (Unaudited)

Cost Category	Adjusted Budget	Actual Expenditures Incurred			Unexpended Balance
		November 5, 2002 (Inception) through June 30, 2013	Expenditures Year Ended June 30, 2014	Total Expenditures through June 30, 2014	
Facilities Services Division (FSD)					
Capital Programs					
New Construction	\$ 3,033,216,227	\$ 2,845,239,497	\$ 6,930,878	\$ 2,852,170,375	\$ 181,045,852
School Modernization	647,202,819	610,524,281	9,809,254	620,333,535	26,869,284
Early Childhood Education	80,000,000	74,666,427	1,167,073	75,833,500	4,166,500
Charter Schools	53,500,000	34,977,776	1,565,068	36,542,844	16,957,156
Indirects	5,754,316	-	5,754,166	5,754,166	150
Total FSD Capital Programs	3,819,673,362	3,565,407,981	25,226,439	3,590,634,420	229,038,942
Information Technology Division (ITD)					
Capital Programs					
Information Technology Network Upgrade	125,590,133	86,584,695	16,634,707	103,219,402	22,370,731
Virtual Learning Complex Planning	1,909,867	739,640	509,998	1,249,638	660,229
Total ITD Capital Programs	127,500,000	87,324,335	17,144,705	104,469,040	23,030,960
Library Services	38,000,000	35,272,550	2,120,104	37,392,654	607,346
Other Costs					
Employee Benefits	3,780,148	3,780,148	-	3,780,148	-
Cost of Issuance	5,658,218	5,658,218	-	5,658,218	-
Office of Inspector General	11,250,000	11,249,693	-	11,249,693	307
Total Other Costs	20,688,366	20,688,059	-	20,688,059	307
Total Measure K Bond Expenditures	\$ 4,005,861,728	\$ 3,708,692,925	\$ 44,491,248	\$ 3,753,184,173	\$ 252,677,555

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

LOS ANGELES UNIFIED SCHOOL DISTRICT
MEASURE K SCHOOL BOND CONSTRUCTION PROGRAM
Notes to Unaudited Supplementary Schedule of Bond Expenditures
Period from November 5, 2002 (inception) to June 30, 2014
(Unaudited)

(1) Background

The unaudited supplementary schedule of bond expenditures, presents expenditures of the Measure K School Bond Construction Program for the period from November 5, 2002 (inception) through June 30, 2014.

(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. The Proposition 39, *Smaller Classes, Safer Schools and Financial Accountability Act* (Prop 39) requires an annual, independent audit of the expenditures of proceeds from the sale of school facilities bonds until all of the proceeds have been expended. Accordingly, the unaudited supplementary schedule of bond expenditures includes all amounts expended using bond proceeds regardless of expenditure types, from inception.

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 November 5, 2002 (inception) through June 30, 2013 and FY 2013-14 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 November 5, 2002 (inception) through June 30, 2014, 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, 2014 column.

LOS ANGELES UNIFIED SCHOOL DISTRICT
MEASURE K SCHOOL BOND CONSTRUCTION PROGRAM
Notes to Unaudited Supplementary Schedule of Bond Expenditures
Period from November 5, 2002 (inception) to June 30, 2014
(Unaudited)

d) Cost Category

The format of the statement of the unaudited supplementary schedule of bond expenditures for the year ended June 30, 2014 has been revised. Certain cost categories for expenditures incurred from inception to June 30, 2013 have been reclassified, however, these reclassifications have no impact on the total bond expenditures. The major cost categories in the unaudited supplementary schedule of bond expenditures for Measure K 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, Accounts Payable, and Risk Management.

LOS ANGELES UNIFIED SCHOOL DISTRICT
MEASURE R SCHOOL BOND CONSTRUCTION PROGRAM
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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 **Measure R School Bond Construction Program** of the Los Angeles Unified School District (the District) for the year ended June 30, 2014 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 Measure R School Bond Construction Program of the Los Angeles Unified School District for the year ended June 30, 2014 in accordance with accounting principles generally accepted in the United States of America.

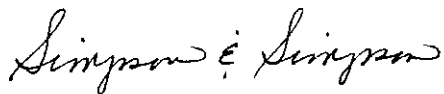
Other Matters

As described in note 2 to the statement of bond expenditures, the accompanying statement of bond expenditures was prepared to comply with the requirements of California's Proposition 39, *Smaller Classes, Safer Schools and Financial Accountability Act*.

Supplementary and Other Information

Our audit was conducted for the purpose of forming an opinion on the statement of bond expenditures of the Measure R 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 March 2, 2004 (inception) to June 30, 2014 (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.



Los Angeles, California
February 18, 2015

**LOS ANGELES UNIFIED SCHOOL DISTRICT
MEASURE R SCHOOL BOND CONSTRUCTION PROGRAM**

Statement of Bond Expenditures
Year Ended June 30, 2014

Cost Category	2014
Facilities Services Division (FSD) Capital Programs	
New Construction	\$ 5,712,236
School Modernization	67,228,515
Adult and Career Education	44,018
Early Childhood Education	3,828,243
Charter Schools	41,823
Indirects	94,185,345
Total FSD Capital Programs	<u>171,040,180</u>
Information Technology Division (ITD) Capital Programs	
Instructional Technology Initiative	75,712,090
Information Technology Network Upgrade	59,672,845
Disaster Recovery & Business Continuity	6,607,706
My Integrated Student Information System	9,947,401
Total ITD Capital Programs	<u>151,940,042</u>
Library Services	3,721,429
Other Costs	
Office of Bond Compliance	157,195
Office of the Inspector General	1,172,237
Total Other Costs	<u>1,329,432</u>
Other Financing Uses	
Information Technology Initiative Phase 1 Reimbursements:	
Transfers Out to Special Reserve Fund	<u>4,611,741</u>
Total Expenditures and Other Uses, June 30, 2014	<u>\$ 332,642,824</u>

See accompanying notes to statement of bond expenditures.

LOS ANGELES UNIFIED SCHOOL DISTRICT
MEASURE R SCHOOL BOND CONSTRUCTION PROGRAM

Notes to Statement of Bond Expenditures

Year Ended June 30, 2014

(1) Measure R School Bond Construction Program Background

The Measure R School Bond Construction Program (Program) or "the Safe and Healthy Neighborhood Schools Improvement Act of 2004" approved by the voters under California Proposition 39, known as the *Smaller Classes, Safer Schools and Financial Accountability Act* (Prop 39), is intended to provide the Los Angeles Unified School District (District) funding for continued improvement to schools and to provide an additional 163,233 new seats for children and to build approximately 50 new neighborhood schools.

The Board of Education has established a School Construction Bond Citizens' Oversight Committee to ensure that the proceeds of the Program's bond issuances are used for the purposes stated in the resolution, which placed Measure R on the 2004 ballot. The Measure R School Bond initiative authorized the issuance of \$3.87 billion in bonds. \$3.63 billion has since been issued between March 2004 and June 2010. The proceeds from the Measure R School Bonds are to be used for projects such as: continue repair/upgrade of aging classrooms, restrooms; build neighborhood schools, early education centers; improve security systems, fire/earthquake safety; purchase library books; upgrade computer technology; eliminate asbestos and lead paint hazards; create small learning communities; and construct/upgrade science laboratories and other buildings. All projects to be funded under the Program must be included in the Strategic Execution Plans approved by the Board of Education. The District has established General Obligation Bond Charging Guidelines to outline the allowable expenditures for the Program. Such guidelines specifically state that no funds will be spent for teacher or administrator salaries or for operating expenses.

(2) Basis of Presentation

The accompanying statement of bond expenditures has been prepared in conformity with U.S. generally accepted accounting principles. The statement of bond expenditures reflects the flow of current financial resources measurement focus and is presented on the modified accrual basis of accounting. Prop 39 requires an annual, independent financial audit of the expenditures of proceeds from the sale of the school facilities bonds until all of the proceeds have been expended. Accordingly, the statement of bond expenditures includes all amounts expended using bond proceeds regardless of expenditure types.

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, 2014, 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.

LOS ANGELES UNIFIED SCHOOL DISTRICT
MEASURE R SCHOOL BOND CONSTRUCTION PROGRAM

Notes to Statement of Bond Expenditures
Year Ended June 30, 2014

b) Cost Category

The format of the statement of bond expenditures for the year ended June 30, 2014 has been revised. The major cost categories in the statement of bond expenditures for Measure R 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, Accounts Payable, and Risk Management.

UNAUDITED SUPPLEMENTARY SCHEDULES

LOS ANGELES UNIFIED SCHOOL DISTRICT
MEASURE R SCHOOL BOND CONSTRUCTION PROGRAM
 Unaudited Supplementary Schedule of Sources and Uses of Funds and Fund Balance
 Period from March 2, 2004 (inception) to June 30, 2014
 (Unaudited)

Sources of Funds from Inception through June 30, 2014:

Bond Issued - FY 2004-05 through FY 2009-10	\$ 3,634,795,000
Adjustments - Bond Premium, net of Cost of Issuance FY 2004-05 through FY 2006-07	11,082,578
Adjustments - Cost of Issuance/Underwriter's Discount FY 2008-09	(2,447,946)
Interest Income - FY 2005-06 through FY 2012-13	133,171,767
Interest Income - FY 2013-14	4,999,880
Local Income - FY 2013-14	2,663,268
Transfers In (Reimbursements) - Other Financing Sources (OFS) FY 2005-06 through FY 2012-13	878,602,113
Total Sources of Funds, June 30, 2014	4,662,866,660
Uses of Funds (Expenditures) from Inception through June 30, 2014	(4,205,514,650)
Fund Balance, June 30, 2014	\$ 457,352,010

See accompanying independent auditor's report.

**LOS ANGELES UNIFIED SCHOOL DISTRICT
MEASURE R SCHOOL BOND CONSTRUCTION PROGRAM**

Unaudited Supplementary Schedule of Bond Expenditures
Period from March 2, 2004 (inception) to June 30, 2014
(Unaudited)

Cost Category	Adjusted Budget	Actual Expenditures Incurred			
		March 2, 2004	Expenditures Year Ended June 30, 2014	Total	Unexpended Balance
		(Inception) through June 30, 2013		Expenditures through June 30, 2014	
Facilities Services Division (FSD)					
Capital Programs					
New Construction	\$ 1,983,599,583	\$ 1,782,545,289	\$ 5,712,236	\$ 1,788,257,525	\$ 195,342,058
School Modernization	1,800,092,876	1,641,122,222	67,228,515	1,708,350,737	91,742,139
Adult and Career Education	25,000,000	24,484,533	44,018	24,528,551	471,449
Early Childhood Education	76,595,609	56,385,752	3,828,243	60,213,995	16,381,614
Charter Schools	70,680,814	39,914,850	41,823	39,956,673	30,724,141
Indirects	94,185,345	-	94,185,345	94,185,345	-
Total FSD Capital Programs	4,050,154,227	3,544,452,646	171,040,180	3,715,492,826	334,661,401
Information Technology Division (ITD)					
Capital Programs					
Instructional Technology Initiative	104,833,180	4,180,364	75,712,090	79,892,454	24,940,726
Information Technology Network Upgrade	219,800,074	109,065,291	59,672,845	168,738,136	51,061,938
Disaster Recovery & Business Continuity	22,366,294	-	6,607,706	6,607,706	15,758,588
My Integrated Student Information System	29,744,820	-	9,947,401	9,947,401	19,797,419
Radio System	1,864,969	1,864,969	-	1,864,969	-
Total ITD Capital Programs	378,609,337	115,110,624	151,940,042	267,050,666	111,558,671
Library Services	53,000,000	38,164,053	3,721,429	41,885,482	11,114,518
Other Costs					
Employee Benefits	4,502,691	4,502,691	-	4,502,691	-
Cost of Issuance	11,831,469	11,831,469	-	11,831,469	-
Office of Bond Compliance	157,195	-	157,195	157,195	-
Office of Inspector General	10,000,000	8,815,631	1,172,237	9,987,868	12,132
Total Other Costs	26,491,355	25,149,791	1,329,432	26,479,223	12,132
Other Financing Uses					
COPs Defeasance: Transfers Out to Debt Service Fund	150,000,000	149,994,712	-	149,994,712	5,288
Information Technology Initiative Phase 1 Reimbursements: Transfers Out to Special Reserve Fund	4,611,741	-	4,611,741	4,611,741	-
Total Other Financing Uses	154,611,741	149,994,712	4,611,741	154,606,453	5,288
Total Measure R Bond Expenditures	\$ 4,662,866,660	\$ 3,872,871,826	\$ 332,642,824	\$ 4,205,514,650	\$ 457,352,010

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

LOS ANGELES UNIFIED SCHOOL DISTRICT
MEASURE R SCHOOL BOND CONSTRUCTION PROGRAM
Notes to Unaudited Supplementary Schedule of Bond Expenditures
Period from March 2, 2004 (inception) to June 30, 2014
(Unaudited)

(1) Background

The unaudited supplementary schedule of bond expenditures, presents expenditures of the Measure R School Bond Construction Program for the period from March 2, 2004 (inception) through June 30, 2014.

(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. The Proposition 39, *Smaller Classes, Safer Schools and Financial Accountability Act* (Prop 39) requires an annual, independent audit of the expenditures of proceeds from the sale of school facilities bonds until all of the proceeds have been expended. Accordingly, the unaudited supplementary schedule of bond expenditures includes all amounts expended using bond proceeds regardless of expenditure types, from inception.

a) Adjusted Budget

The amounts included within the adjusted budget column in the accompanying unaudited supplementary schedule of fund balance: uses represent the prior year expenditures from March 2, 2004 (inception) through June 30, 2013 and FY 2013-14 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 March 2, 2004 (inception) through June 30, 2014, 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, 2014 column.

LOS ANGELES UNIFIED SCHOOL DISTRICT
MEASURE R SCHOOL BOND CONSTRUCTION PROGRAM
Notes to Unaudited Supplementary Schedule of Bond Expenditures
Period from March 2, 2004 (inception) to June 30, 2014
(Unaudited)

d) Cost Category

The format of the statement of the unaudited supplementary schedule of bond expenditures for the year ended June 30, 2014 has been revised. Certain cost categories for expenditures incurred from inception to June 30, 2013 have been reclassified, however, these reclassifications have no impact on the total bond expenditures. The major cost categories in the unaudited supplementary schedule of bond expenditures from inception for Measure R 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, Accounts Payable, and Risk Management.

LOS ANGELES UNIFIED SCHOOL DISTRICT
MEASURE Y SCHOOL BOND CONSTRUCTION PROGRAM
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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 **Measure Y School Bond Construction Program** of the Los Angeles Unified School District (the District) for the year ended June 30, 2014 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 Measure Y School Bond Construction Program of the Los Angeles Unified School District for the year ended June 30, 2014 in accordance with accounting principles generally accepted in the United States of America.

Other Matters

As described in note 2 to the statement of bond expenditures, the accompanying statement of bond expenditures was prepared to comply with the requirements of California's Proposition 39, *Smaller Classes, Safer Schools and Financial Accountability Act*.

Supplementary and Other Information

Our audit was conducted for the purpose of forming an opinion on the statement of bond expenditures of the Measure Y 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 November 8, 2005 (inception) to June 30, 2014 (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.

A handwritten signature in cursive script, reading 'Simpson & Simpson'.

Los Angeles, California
February 18, 2015

**LOS ANGELES UNIFIED SCHOOL DISTRICT
MEASURE Y SCHOOL BOND CONSTRUCTION PROGRAM**

Statement of Bond Expenditures

Year Ended June 30, 2014

Cost Category	2014
Facilities Services Division (FSD) Capital Programs	
New Construction	\$ 12,014,155
School Modernization	146,564,869
Information Technology Network Upgrade	42,206,339
Adult and Career Education	6,982,859
Early Childhood Education	1,471,940
Charter Schools	2,296,628
Indirects	2,703,091
Total FSD Capital Programs	<u>214,239,881</u>
Information Technology Division (ITD) Capital Programs	
Information Technology Network Upgrade	23,812,958
Radio System	290,947
Virtual Learning Complex Planning	262,264
Total ITD Capital Programs	<u>24,366,169</u>
Other Costs	
Office of Bond Compliance	157,048
Office of the Inspector General	1,436,762
Total Other Costs	<u>1,593,810</u>
Other Financing Uses	
Cafeteria: Transfers Out to Cafeteria Fund	860,761
Labor Compliance Program (LCP) Penalties:	
Transfers Out to General Fund	1,672,308
Integrated Student Information Systems (ISIS):	
Transfers Out to General Fund-Restricted	4,072,832
Total Other Financing Uses	<u>6,605,901</u>
Total Expenditures and Other Uses, June 30, 2014	<u>\$ 246,805,761</u>

See accompanying notes to statement of bond expenditures.

LOS ANGELES UNIFIED SCHOOL DISTRICT
MEASURE Y SCHOOL BOND CONSTRUCTION PROGRAM
Notes to Statement of Bond Expenditures
Year Ended June 30, 2014

(1) Measure Y School Bond Construction Program Background

The Measure Y School Bond Construction Program (Program) or "the Safe and Healthy Neighborhood Schools Repair and Construction Measure of 2005" approved by the voters under California Proposition 39, known as the *Smaller Classes, Safer Schools and Financial Accountability Act* (Prop 39), is intended to provide the Los Angeles Unified School District (District) funding to continue the repair and modernization of existing schools, replace bungalows with permanent classrooms, abate asbestos hazards, upgrade fire and safety systems, expand early education facilities, and provide sufficient core facilities at hundreds of schools.

The Board of Education has established a School Construction Bond Citizens' Oversight Committee to ensure that the proceeds of the Program's bond issuances are used for the purposes stated in the resolution, which placed Measure Y on the 2005 ballot. The Measure Y School Bond initiative authorized the issuance of \$3.985 billion in bonds. \$3.54 billion has since been issued between November 2005 and June 2010. The proceeds from the Measure Y School Bonds are to be used for projects such as the following: build neighborhood schools; bungalow repair and removal; upgrade and redesign campuses to create smaller schools; install and upgrade fire alarm systems; undertake complete asbestos hazard removal program; air condition remaining non-air-conditioned buildings; perform school alterations and improvements; upgrade and reinforce computer networks, school information systems, and technology capability; upgrade emergency radio systems; build new and repair existing early education centers in neediest areas; promote alternative education models like joint use and small learning communities; build, plan, and equip charter schools; replace all special education buses; give low performing schools added resources to improve results; audit and oversight of bond projects; and open new schools with sufficient number of library books. All projects to be funded under the Program must be included in the Strategic Execution Plans approved by the Board of Education. The District has established General Obligation Bond Charging Guidelines to outline the allowable expenditures for the Program. Such guidelines specifically state that no funds will be spent for teacher, administrator salaries or for operating expenses.

(2) Basis of Presentation

The accompanying statement of bond expenditures has been prepared in conformity with U.S. generally accepted accounting principles. The statement of bond expenditures reflects the flow of current financial resources measurement focus and is presented on the modified accrual basis of accounting. Prop 39 requires an annual, independent financial audit of the expenditures of proceeds from the sale of the school facilities bonds until all of the proceeds have been expended. Accordingly, the statement of bond expenditures includes all amounts expended using bond proceeds regardless of expenditure types.

LOS ANGELES UNIFIED SCHOOL DISTRICT
MEASURE Y SCHOOL BOND CONSTRUCTION PROGRAM
Notes to Statement of Bond Expenditures
Year Ended June 30, 2014

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, 2014, 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 format of the statement of bond expenditures for the year ended June 30, 2014 has been revised. The major cost categories in the statement of bond expenditures for Measure Y 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, Accounts Payable, and Risk Management.

UNAUDITED SUPPLEMENTARY SCHEDULES

LOS ANGELES UNIFIED SCHOOL DISTRICT
MEASURE Y SCHOOL BOND CONSTRUCTION PROGRAM
 Unaudited Supplementary Schedule of Sources and Uses of Funds and Fund Balance
 Period from November 8, 2005 (inception) to June 30, 2014
 (Unaudited)

Sources of Funds from Inception through June 30, 2014:

Bonds Issued - FY 2005-06 through FY 2009-10	\$ 3,542,235,000
Adjustments - Bond Premium, net of Cost of Issuance FY 2005-06	6,614,884
Adjustments - Cost of Issuance/Underwriter's Discount FY 2008-09	(667,495)
Interest Income - FY 2005-06 through FY 2012-13	93,325,217
Interest Income - FY 2013-14	4,034,545
Local Income - FY 2007-08 through FY 2012-13	23,493,159
Local Income - FY 2013-14	8,834,562
Transfers In (Reimbursements) - Other Financing Sources (OFS) FY 2005-06 through FY 2012-13	391,255,411
Total Sources of Funds, June 30, 2014	4,069,125,283
Uses of Funds (Expenditures) from Inception through June 30, 2014	(3,669,970,382)
Fund Balance, June 30, 2014	<u>\$ 399,154,901</u>

See accompanying independent auditor's report.

LOS ANGELES UNIFIED SCHOOL DISTRICT
MEASURE Y SCHOOL BOND CONSTRUCTION PROGRAM

Unaudited Supplementary Schedule of Bond Expenditures
Period from November 8, 2005 (inception) to June 30, 2014
(Unaudited)

Cost Category	Adjusted Budget	Actual Expenditures Incurred			Unexpended Balance
		November 8, 2005 (Inception) through June 30, 2013	Expenditures Year Ended June 30, 2014	Total Expenditures through June 30, 2014	
Facilities Services Division (FSD)					
Capital Programs					
New Construction	\$ 2,519,847,792	\$ 2,298,873,965	\$ 12,014,155	\$ 2,310,888,120	\$ 208,959,672
School Modernization	805,316,661	550,308,895	146,564,869	696,873,764	108,442,897
Information Technology Network Upgrade	42,206,339	-	42,206,339	42,206,339	-
Adult and Career Education	50,000,000	40,575,915	6,982,859	47,558,774	2,441,226
Early Childhood Education	38,609,232	29,215,640	1,471,940	30,687,580	7,921,652
Charter Schools	50,000,000	28,413,874	2,296,628	30,710,502	19,289,498
Indirects	2,703,167	-	2,703,091	2,703,091	76
Total FSD Capital Programs	3,508,683,191	2,947,388,289	214,239,881	3,161,628,170	347,055,021
Information Technology Division (ITD)					
Capital Programs					
Information Technology					
Network Upgrade	133,192,104	75,330,915	23,812,958	99,143,873	34,048,231
Radio System	30,316,963	19,045,701	290,947	19,336,648	10,980,315
Virtual Learning Complex Planning	2,030,131	1,350,075	262,264	1,612,339	417,792
Total ITD Capital Programs	165,539,198	95,726,691	24,366,169	120,092,860	45,446,338
Transportation (Buses)	21,539,197	21,178,922	-	21,178,922	360,275
Library Services	5,000,000	-	-	-	5,000,000
Other Costs					
Employee Benefits	1,843,223	1,843,223	-	1,843,223	-
Cost of Issuance	8,182,760	8,182,760	-	8,182,760	-
Office of Bond Compliance	157,048	-	157,048	157,048	-
Office of Inspector General	10,000,000	7,269,971	1,436,762	8,706,733	1,293,267
Total Other Costs	20,183,031	17,295,954	1,593,810	18,889,764	1,293,267
Other Financing Uses					
COPs Defeasance: Transfers Out to Deferred Maintenance Match: Transfers	193,738,416	193,738,416	-	193,738,416	-
Out to General Fund-Restricted	120,000,000	120,000,000	-	120,000,000	-
Cafeteria: Transfers Out to Cafeteria Fund	3,665,822	2,805,061	860,761	3,665,822	-
Buses: Transfers Out to General Fund - Restricted	3,460,803	3,460,803	-	3,460,803	-
Labor Compliance Program (LCP):					
Transfers Out to General Fund	1,672,308	-	1,672,308	1,672,308	-
Integrated Student Information Systems:					
Transfers Out to General Fund-	25,643,317	21,570,485	4,072,832	25,643,317	-
Total Other Financing Uses	348,180,666	341,574,765	6,605,901	348,180,666	-
Total Measure Y Bond Expenditures	\$4,069,125,283	\$3,423,164,621	\$246,805,761	\$3,669,970,382	\$399,154,901

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

LOS ANGELES UNIFIED SCHOOL DISTRICT
MEASURE Y SCHOOL BOND CONSTRUCTION PROGRAM
Notes to Unaudited Supplementary Schedule of Bond Expenditures
Period from November 8, 2005 (inception) to June 30, 2014
(Unaudited)

(1) Background

The unaudited supplementary schedule of bond expenditures, presents expenditures of the Measure Y School Bond Construction Program for the period from November 8, 2005 (inception) through June 30, 2014.

(2) Basis of Presentation

The accompanying unaudited supplementary information, schedule of bond expenditures from inception, has been prepared in conformity with U.S. generally accepted accounting principles. The accompanying unaudited supplementary schedule of bond expenditures from inception reflects the flow of current financial resources measurement focus and is presented on the modified accrual basis of accounting. The Proposition 39, *Smaller Classes, Safer Schools and Financial Accountability Act* (Prop 39) requires an annual, independent audit of the expenditures of proceeds from the sale of school facilities bonds until all of the proceeds have been expended. Accordingly, the unaudited supplementary schedule of bond expenditures includes all amounts expended using bond proceeds regardless of expenditure types, from inception.

a) Adjusted Budget

The amounts included within the adjusted budget column in the accompanying unaudited supplementary schedule of bond expenditures from inception represent the prior year expenditures from November 8, 2005 (inception) through June 30, 2013 and FY 2013-14 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 from inception represent actual expenditures paid and accrued by the District for the period from November 8, 2005 (inception) through June 30, 2014, 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 fund balance column in the accompanying unaudited supplementary schedule of bond expenditures from inception represent the difference between the adjusted budget column and the total expenditures through June 30, 2014 column.

LOS ANGELES UNIFIED SCHOOL DISTRICT
MEASURE Y SCHOOL BOND CONSTRUCTION PROGRAM

Notes to Unaudited Supplementary Schedule of Bond Expenditures

Period from November 8, 2005 (inception) to June 30, 2014

(Unaudited)

d) Cost Category

The format of the statement of the unaudited supplementary schedule of bond expenditures for the year ended June 30, 2014 has been revised. Certain cost categories for expenditures incurred from inception to June 30, 2013 have been reclassified, however, these reclassifications have no impact on the total bond expenditures. The major cost categories in the unaudited supplementary schedule of bond expenditures from inception for Measure Y 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, Accounts Payable, and Risk Management.