

LOS ANGELES UNIFIED SCHOOL DISTRICT
Proposition BB, Measure K, Measure R, Measure Y, and
Measure Q School Bond Construction Programs
Agreed-Upon Procedures Report
For the Year Ended June 30, 2017,
Statements of Bond Expenditures
and Supplementary Schedules as of June 30, 2017
(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, Measure Y, and Measure Q 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, 2017. 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, Measure Y, and Measure Q expenditures, unless otherwise noted.

Procedure 1

From a population of all project expenditures charged to Commitment Class #500000 representing expenditures for professional services in the general ledger for the fiscal year ended June 30, 2017, we selected a total of 50 expenditures samples with Work Breakdown Structure (WBS) account assignments from the Local Bond funds (Proposition BB, Measure K, Measure R, Measure Y, and Measure Q) to represent the following distributions:

- 18 project expenditures to represent Facilities, excluding Maintenance and Operations (M&O),
- 20 project expenditures to represent M&O,
- 12 project expenditures to represent Information Technology Division (ITD) – Select ITD samples to include expenditures from the projects listed in Procedure 9.

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

- 1.1 We tested the 50 invoices from the different Bond Funds selected in Procedure 1 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, Y, and Q (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 50 invoices from the different Local Bond Funds selected in Procedure 1, to determine whether the corresponding projects or non-project allocations in each of the invoices were included in the cumulative and various Strategic Execution Plan (SEP) or approved as SEP amendments. If the invoice had multiple projects, up to 5 projects from the invoice were traced to the respective SEP.

Results

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

- 1.3 For the items selected in Procedure 1 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 4 samples that we selected in Procedure 1 above which represented construction payments. No exceptions were noted as a result of performing this procedure.

- 1.4** For the items selected in Procedure 1 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 2

In some cases, Board-authorized uses of Local Bond funds may not be executed in the Local Bond funds due to invalid or unauthorized account code combinations. For example, certificated staff are authorized to work on ITD and Library projects funded by Local Bond funds as long as their function is not instructional. However, certificated salaries General Ledger (GL) accounts are not a valid combination within the Local Bond funds according to the California School Accounting Manual (CSAM) and the related Standardized Account Code Structure (SACS). In this situation, certificated payroll expenditures are initially charged to non-Bond funds and are subsequently transferred to Local Bond funds.

From the population of all expenditures charged to Commitment Class #700000 representing inter-fund transfers of prior year expenditures or Commitment Item #575080 representing inter-fund transfers of current year expenditures from its original nature (e.g. instructional) to a different activity or function (e.g. construction, data processing) in the general ledger for the fiscal year ended June 30, 2017, we reviewed inter-fund transfers out (IFT-Out) expenditure transactions from non-Bond funds to the Proposition 39 Local Bond funds (Measure K, Measure R, Measure Y, and Measure Q) that represent Board-authorized uses of Bond funds that were executed outside of the Proposition 39 Local Bond funds. We selected one journal voucher transaction for each of the following activities:

- Kitchen Equipment Replacement
- Bond-Eligible Transfers of Routine Restricted General Maintenance (RRGM) Expenditures
- ITD – Instructional Technology Initiative Project-related Certificated Salaries (ITI)
- ITD – My Integrated Student Information System (MiSiS) Project-related Certificated salaries
- Integrated Library & Textbook Support Services (ILTSS) Project-related Certificated salaries

We traced the journal voucher transactions back to the non-Bond fund where the expenditures were originally recorded and selected up to 5 expenditure samples for each of the above activities for a total of 25 expenditure samples that represent board-authorized uses of Local Bond funds that were not executed in the Local Bond funds related to Board authorized use of Proposition 39 Bond funds.

We obtained supporting documents for each selected expenditure and performed the following tests:

- 2.1** For each invoice selected in Procedure 2 that represents invoices, we reviewed the supporting documents and determined whether amounts expended were consistent with the Board Report authorizing use of Bond funds.

Results

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

- 2.2** For each expenditure selected in Procedure 2 that represent District employee salaries, we performed tests used in Procedure 4 to determine that expenditures were not spent for “administrator salaries” or “teacher salaries” in the context of “Employee Salaries for Bond Program Administrative Oversight”; and that the certificated employees have submitted Semi-Annual Certification of Bond-Funded Work to the Office of Capital Funds Compliance per Bulletin BUL-6521.1.

Results

We noted no IFT-Out activity for ITD and ILTSS project-related certificated salaries.

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

Procedure 3

From the population of all expenditures charged to Commitment Class #500000 representing expenditures for professional services in the general ledger for the fiscal year ended June 30, 2017, we selected up to 30 expenditure samples from the Local Bond funds (Proposition BB, Measure K, Measure R, Measure Y, and Measure Q) corresponding to up to 20 staff augmentation / professional services staffing agreements with over \$5 million in expenditures for the fiscal year and representing the following distribution:

- 18 expenditure samples to represent Facilities (excluding M&O),
- 2 expenditure samples to represent M&O,
- 7 expenditure samples to represent ITD,
- 2 expenditure samples to represent the Office of Environmental Health and Safety (OEHS), and
- 1 expenditure sample to represent District operations.

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

- 3.1** We obtained a copy of each agreement, and reviewed each invoice selected in procedure 3 to determine consistency with the terms of the agreement. We reviewed up to five individuals supporting documentation for each invoice tested.

Results

We noted no staff augmentation/professional services staffing agreement with over \$5 million in expenditures for OEHS and District Operations.

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

Procedure 4

From the population of all salary expenditures charged to Commitment Classes #100000 and #200000 representing expenditures for certificated salaries and classified salaries, respectively, in the general ledger for the fiscal year ended June 30, 2017, we selected up to a total of 50 expenditure samples from the Proposition 39 Local Bond funds (Measure K, Measure R, Measure Y, and Measure Q) representing the following distribution:

- 10 expenditure samples to represent Facilities (excluding M&O),
- 20 expenditure samples to represent M&O,
- 7 expenditure samples to represent ITD,
- 2 expenditure samples to represent ILTSS,
- 2 expenditure samples to represent Office of Inspector General (OIG),
- 2 expenditure samples to represent Office of General Counsel (OGC),
- 1 expenditure samples to represent OEHS
- 1 expenditure sample to represent Finance and Office of Bond Compliance,
- 3 expenditure samples to represent Procurement,
- 1 expenditure sample to represent District Operations, and
- 1 expenditure sample to represent the Personnel Commission.

We performed the following procedures:

- 4.1 For each expenditure selected in procedure 4, we determined whether the samples selected were inappropriately 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”.

We reviewed position funding methodology with responsible division or department administrator to justify bond-funded position and alignment with actual work performed for the fiscal year ended June 30, 2017. For positions created within the bond funds since Fiscal Year 2014-2015, when the Office of Bond Compliance began reviewing and approving bond funding of positions, we confirmed the Office of Bond Compliance approval for position for bond funding of position.

Results

Of the total positions sampled, we noted a total of 2 positions which were created since Fiscal Year 2014-15. We obtained documentation from the Office of Bond Compliance supporting their approval for position for bond funding of position.

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

4.2 For each expenditure selected in procedure 4, we determined whether the Department had adequate time and effort reporting controls and procedures for regular review of appropriate charges to the Local Bond fund(s) by performing the following procedures.

- We confirmed Facilities or ITD Local Bond-funded classified employees consistently reported time on Colin, Maximo, or Job Cost.
- For employees that do not report time using Colin, Maximo, or Job Cost, we confirmed employee submittals of Semi-Annual Certification of Bond-Funded Work to the Office of Bond Compliance per Bulletin BUL-6521.1 dated July 1, 2016, for the entire fiscal year.

Results

Of the 50 employees that were sampled, we noted a total of 36 employees who reported time on Colin, Maximo, or Job Cost. We obtained their time charged throughout the fiscal year and confirmed they consistently reported their time. No exceptions were noted as a result of performing this procedure.

We noted 14 employees who were required to submit a Semi-Annual Certification of Bond-Funded Work to the Office of Bond Compliance, per BUL-6521.1, for the time period of July 1, 2016 through December 31, 2016, and January 1, 2017 through June 30, 2017. Of the 28 forms reviewed over the 14 employees, we noted the following:

- 2 employees did not submit their Semi-Annual Certifications for the time period of July 1, 2016 through December 31, 2016, as the employees retired on December 31, 2016. Additionally, the 2 employees did not require Semi-Annual Certifications for the time period of January 1, 2017 through June 30, 2017 as the employees were retired and had no charged time to the Local Bond funds.
- 3 forms covering 2 employees were signed and dated by the employee and supervisor after the stipulated due date per BUL-6521.1.
- 2 forms covering 2 employees were signed and dated by the employee and supervisor subsequent to our request.

Management Response

Management will evaluate the current process for tracking receipt of semi-annual certifications and implement additional follow-up procedures to ensure all certifications are received in a timely manner.

Procedure 5

From the population of all “Central Office” or overhead expenditures charged to Commitment Classes #400000 and #500000 representing expenditures for materials/supplies and professional services, respectively, in the general ledger for the fiscal year ended June 30, 2017, we selected up to a total of 50 expenditure samples that represent Facilities “Indirect” WBS Commitments or have “Central Office” cost center commitments for those outside of Facilities, if any, from the Proposition 39 Local Bond funds (Measure K, Measure R, Measure Y, and Measure Q) to represent the following distribution:

- 10 expenditure samples to represent Facilities (excluding M&O),
- 20 expenditure samples to represent M&O,
- 7 expenditure samples to represent ITD,
- 2 expenditure samples to represent ILTSS,
- 2 expenditure samples to represent OIG,
- 2 expenditure samples to represent OGC,
- 1 expenditure sample to represent OEHS,
- 1 expenditure sample to represent Finance and Office of Bond Compliance,
- 3 expenditure samples to represent Procurement,
- 1 expenditure sample to represent District Operations, and
- 1 expenditure sample to represent the Personnel Commission.

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

- 5.1 For each invoice selected in procedure 5 we determined 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 a total of 2 expenditures incurred during the fiscal year which meet the above parameters. No exceptions were noted as a result of performing this procedure.

Procedure 6

From a list of FSD construction contract change orders generated from the Colin system approved during the fiscal year ended June 30, 2017, 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, Measure Y, and Measure Q). We obtained the District Change Order Procedures and performed the following review to determine compliance with the procedures.

6.1 For each change order selected in procedure 6, 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 For each change order selected in procedure 6, 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 each change order selected in procedure 6 that represent End User-initiated scope changes, we determined compliance with the required process and forms.

Results

Two of the 25 samples we tested were an End User-Initiated change order. No exceptions were noted as a result of performing this procedure.

6.4 For each change order selected in procedure 6, we verified compliance with the signatory requirements per the Change Order form and the change order procedures.

Results

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

6.5 For each change order selected in procedure 6, 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, 2017, 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 G.O. Bond fund reconcile with the corresponding Audited Annual Financial Report (AAFR) bond fund expenditures for the year ended June 30, 2017.

Results

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

Procedure 8

We selected a sample of 10 projects from the 2017 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 Facilities SEP projects for approved changes that occur in the fiscal year ended June 30, 2017:

- 8.1** For each of the ten projects selected in procedure 8, we compared the project budgets from the 2017 FSD SEP to the 2016 FSD SEP. For each project with a 2017 FSD SEP project budget that increased \$100,000 or more than the 2016 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 ten projects selected in procedure 8, we compared the project’s scheduled substantial completion date from the 2017 FSD SEP to the 2016 FSD SEP. For each project with a 2017 FSD SEP substantial completion date that was later than the 2016 FSD SEP substantial completion 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 ten projects selected in procedure 8, we compared the project's scope from the 2017 FSD SEP to the 2016 FSD SEP. For each project with a 2017 FSD SEP scope that differs significantly from the 2016 FSD SEP scope, if applicable, we determined if the project's scope change was reported to the BOC. Note: construction contract change orders are contract modifications and were not considered scope changes.

Results

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

Procedure 9

We selected a sample of seven (7) Local Bond Information Technology Division (ITD) projects from the 2017 ITD SEP, one from each of the following seven ITD project types:

- Instruction Technology Initiative (ITI, formerly Common Core Technology Project),
- Local Area Network Modernizations (ITD),
- Radio Systems,
- Core Network Upgrades,
- My Integrated Student Information System (MiSiS),
- Disaster Recovery and Business Continuity, and
- Cafeteria Management System Equipment Replacement.

We reviewed the selected projects for compliance with the LAUSD School Construction Bond Citizens' Oversight Committee (BOC) Memorandum of Understanding for ITD projects:

- 9.1** For each of the seven (7) project types selected in procedure 9, we selected one component and compared the project budgets from the 2017 ITD SEP to the 2015 ITD SEP. For each project with a 2017 ITD SEP project budget that increased \$100,000 or more than the 2015 ITD SEP project 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 of the seven (7) projects selected in procedure 9, we selected one component and compared the substantial completion dates from the 2017 ITD SEP to the 2015 ITD SEP. For each project that has a 2017 ITD SEP substantial completion date that is 180 days or greater than the 2015 ITD SEP substantial completion date, if applicable, we determined whether the delay was reported to the BOC.

Results

For projects in which the completion date was not reported in the SEP, we obtained Quarterly Program Status Reports submitted to the BOC to achieve the requirements of the above procedure. No exceptions were noted as a result of performing this procedure.

- 9.3** For each of the seven (7) projects selected in procedure 9, we selected one component and compared the project's scope from the 2017 ITD SEP to the 2015 ITD SEP. For each project with 2017 ITD SEP scope that differs significantly from the 2015 ITD SEP, if applicable, we determined whether the project's scope change was reported to the BOC. Note: construction contract change orders are contract modifications and were not considered scope changes.

Results

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

Procedure 10

We inquired of the Board of Education 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 and Measure Q on a timely basis.

- 10.1** We determined whether FSD 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 FSD are being compensated accordingly.

Results

The compensation test is a requirement from the November 2005 Bond Measure Y and the November 2008 Bond Measure Q, which are on two-year cycles ending in even number ending fiscal years. This procedure was reported in the previous fiscal year and is not required for the year ended June 30, 2017.

Procedure 11

We followed-up with management regarding the status of the FY 15-16 and FY 14-15 findings. See below for prior year findings, and the current status:

Finding – FY 15-16 - Procedure 6.4

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

Results

We identified one (1) Change Order in which the signatory requirements were not met. The Change Order required the signature of the Regional Construction Director (RCD) as it exceeded 5% of the original contract amount. The Change Order was processed prior to the RCD's approval.

Management Response

The non-compliance of the Change Order signatory requirements on the sample change order was an oversight by the staff and was not forwarded to the Regional Construction Director for signature. Project Execution staff has been provided with the signatory requirements and Senior Project Managers will check the change order percentages and cost to ensure compliance. This will be reaffirmed at the regular scheduled Region meetings and will be an agenda item during those meetings and training will be provided as needed.

Current Status

Implemented.



Finding – FY 15-16 - Procedure 10.1 & 10.2

We determined whether FSD management compensation survey was performed and presented to the Board of Education.

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

Results

According to the provisions of Measure Y and Measure Q, managers of the FSD shall have the education 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 FSD are being compensated accordingly.

Based on inquiry with District management, the survey was not performed by the District's Personnel Commission during FY 2015-16 as required by the provisions of Measure Y and Measure Q.

As a result of not performing the survey and presenting results to the Board of Education, the District was unable to obtain a declaration from the Board of Education that the managers of the District's FSD are being compensated accordingly.

Management Response

The District's Personnel Commission completed a draft report on management compensation in November 2016, including compensation for employees in the FSD. This survey was shared with Senior Leadership and the Board of Education. Given continuing District budget concerns, management will discuss next steps for this report, including the requirements set forth in the District's local bond measures.

Current Status

Partially Implemented. The District's Personnel Commission conducted the required survey and submitted it to District management in August 2017. Next steps are to be determined, along with other budgetary considerations.

Finding – FY 14-15 - Procedure 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

We identified one (1) Job Order Contract (JOC) Change Order in which the total amount of the Change Order exceeded the threshold, as stipulated in the Change Order Policy, of 25% of the original contract price.

The Change Order was approved as the nature of the cost was related to reimbursement of plans and permits, which based on the department's analysis qualified as an appropriate exception to the threshold requirement. The Change Order Policy does not stipulate acceptable reasons for the approval of a Change Order which exceeds the threshold requirement. As a result, the Change Order was not approved according to the Change Order Policy.

Management Response

The Job Order Contracting procedure did not provide guidance on a job order change of this nature. In this situation there was an unforeseen increase in the cost incurred by the contractor for mandated changes to traffic control plans and building permit. Reimbursement of incurred cost does not represent work scope that can be rebid. This was a small job that was deemed suitable for immediate execution by job order contracting. The change increases a \$31,811 job order by \$12,033 or 37% to \$43,844. While the percentage increase exceeds the limit, the amount is a low order of magnitude. The Job Order Contracting procedure draft is under review to provide guidance on this and similar exceptions, if any. This process will be completed in May 2016.

Current Status

Implemented.

Finding – FY 14-15 - Procedure 6.4

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

Results

We identified one (1) M&O Change Order in which the signatory requirements as stipulated on the Change Order form was not consistent with the requirements stipulated in the Change Order Policy.

Although the Change Order was compliant as per the requirements on the Change Order form, we identified that these requirements were inconsistent with that of the Change Order Policy.

Management Response

The approval thresholds and signatures on the Change Order form are correct but are not reflected in the effective Change Order procedure for the audit period. The Change Order form used was updated May 8, 2014, while the effective Change Order procedure was last revised January 30, 2013. FSD initiated an effort to bring all FSD procedures up to date in February 2014. Unfortunately, the Change Order procedure update is still in draft form to date. FSD tend to revise forms in shorter cycles than the procedures since the responsible parties are often in different groups. FSD will revise and align both the Change Order form and procedure and assign responsibility to coordinate further revisions. This process will be completed in April 2016.

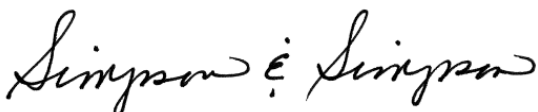
Current Status

Implemented.

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, Measure Y, and Measure Q 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
January 25, 2018

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, 2017 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, 2017 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, 2017 (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 black ink that reads "Simpson & Simpson". The signature is written in a cursive, flowing style.

Los Angeles, California
January 25, 2018

**LOS ANGELES UNIFIED SCHOOL DISTRICT
PROPOSITION BB SCHOOL BOND CONSTRUCTION PROGRAM**

Statement of Bond Expenditures
Year Ended June 30, 2017

Cost Category	2017
Facilities Services Division (FSD) Capital Programs	
New Construction	\$ 230,529
School Modernization	2,843,629
Total FSD Capital Programs	<u>3,074,158</u>
Total Expenditures, June 30, 2017	<u>\$ 3,074,158</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, 2017

(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, 2017, 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.

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, 2017
 (Unaudited)

Sources of Funds from Inception through June 30, 2017:

Bonds Issued - FY 1997-98 through FY 2002-03 (final issuance)	\$ 2,400,000,000
Interest Income - FY 1997-98 through FY 2015-16	177,326,954
Interest Income - FY 2016-17	84,944
Local Income - FY 2001-02 through FY 2015-16	1,938,634
Local Income - FY 2016-17	27,904
Transfers In (Reimbursements) - Other Financing Sources (OFS)	
FY 2006-07 through FY 2015-16	198,995,127
Transfers In (Reimbursements) - OFS FY 2016-17	2,073,082
Total Sources of Funds, June 30, 2017	<u>\$ 2,780,446,645</u>
Uses of Funds (Expenditures) from Inception through June 30, 2017	<u>(2,769,855,830)</u>
Fund Balance, June 30, 2017	<u><u>\$ 10,590,815</u></u>

Note to Schedule:

Other Financing Sources

Transfers In and Other Financing Sources (OFS) represent financial accounting transfers of resources to the bond fund from other funds, such as: the general fund, special reserve fund, or county school facilities (state) fund. The primary example is when a project uses bond funds in place of approved state funding until the state funding has been received. Upon receipt of state funding the bond fund is reimbursed from the state fund. For cost accounting purposes when project tracking is required, these transfers are represented as project expenditures in the state or other fund. Project expenditures are credited in the project's bond resource and debited to the projects state resource.

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, 2017
(Unaudited)

Cost Category	Adjusted Budget	Actual Expenditures Incurred			Unexpended Balance
		April 8, 1997 (Inception) through June 30, 2016	Expenditure Year Ended June 30, 2017	Total Expenditure through June 30, 2017	
Facilities Services Division (FSD)					
Capital Programs					
New Construction	\$ 828,112,718	\$ 822,929,514	\$ 230,529	\$ 823,160,043	\$ 4,952,675
School Modernization	1,917,229,139	1,912,671,383	2,843,629	1,915,515,012	1,714,127
Charter Schools	116,215	103,335	-	103,335	12,880
Indirects	11,652,462	7,741,333	-	7,741,333	3,911,129
Total FSD Capital Programs	2,757,110,534	2,743,445,565	3,074,158	2,746,519,723	10,590,811
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	\$ 2,780,446,645	\$ 2,766,781,672	\$ 3,074,158	\$ 2,769,855,830	\$ 10,590,815

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, 2017

(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, 2017.

(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, 2016 and FY 2016-17 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, 2017, 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, 2017 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, 2017

(Unaudited)

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.

(3) Other Financing Uses

Transfers Out and Other Financing Uses (OFU) represent financial accounting transfers of bond proceeds (inter-fund transactions of revenue) from the bond fund to other funds for approved financing uses of bond funds. One example is reimbursement of prior year bond eligible capital expenditures in the general fund. For cost accounting purposes when project tracking is required, these transfers are represented as project expenditures in the bond fund.

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, 2017 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, 2017 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, 2017 (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 black ink, reading 'Simpson & Simpson'.

Los Angeles, California
January 25, 2018

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

Statement of Bond Expenditures
Year Ended June 30, 2017

Cost Category	2017
Facilities Services Division (FSD) Capital Programs	
New Construction	\$ 8,285,746
School Modernization	4,625,904
Early Childhood Education	20,113
Charter Schools	2,150,141
Indirects	2,911,432
Total FSD Capital Programs	<u>17,993,336</u>
Information Technology Division (ITD) Capital Programs	
Virtual Learning Complex Planning	49,843
School Network Modernization	(182,518)
Total ITD Capital Programs	<u>(132,675)</u>
Library Services	396,117
Total Expenditures, June 30, 2017	<u><u>\$18,256,778</u></u>

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, 2017

(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 (SEP) 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, 2017, 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, 2017

b) Cost Category

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.

(3) Information Technology Division (ITD) – Category Change

The ITD Cost Category in the Fiscal Year 2016-17 Statement of Bond Expenditures appear different than Fiscal Year 2015-16 due to additional new projects approved by the Board of Education in the 2017 ITD Strategic Execution Plan (SEP) and other Board Reports. The project categories were consolidated into cost categories by program.

The Information Technology Network Upgrade Program presented in the Fiscal Year 2015-16 Statement of Bond Expenditures has been included under the umbrella of the School Network Modernization Program as of June 30, 2017.

The Statement of Bond Expenditures has been updated to reflect this change.

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 Balances
Period from November 5, 2002 (Inception) to June 30, 2017
(Unaudited)

Sources of Funds from Inception through June 30, 2017:

Bonds Issued - FY 2002-03 through FY 2009-10 (final issuance)	\$ 3,350,000,000
Adjustments - Bond Premium, net of Cost of Issuance (COI) FY 2006-07	5,482,312
Adjustments - COI/Underwriter's Discount FY 2008-09	(1,111,624)
Interest Income - FY 2002-03 through FY 2015-16	141,611,415
Interest Income - FY 2016-17	2,408,424
Local Income - FY 2013-14 through FY 2015-16	952,282
Local Income - FY 2016-17	88,815
Transfers In (Reimbursements) - Other Financing Sources (OFS) FY 2006-07 through FY 2015-16	549,066,909
Transfers In (Reimbursements) - OFS FY 2016-17	76,890,636
Total Sources of Funds, June 30, 2017	<u>\$ 4,125,389,169</u>
Uses of Funds (Expenditures) from Inception through June 30, 2017	<u>(3,856,229,609)</u>
Fund Balance, June 30, 2017	<u><u>\$ 269,159,560</u></u>

Note to Schedule:

Other Financing Sources

Transfers In and Other Financing Sources (OFS) represent financial accounting transfers of resources to the bond fund from other funds, such as: the general fund, special reserve fund, or county school facilities (state) fund. The primary example is when a project uses bond funds in place of approved state funding until the state funding has been received. Upon receipt of state funding the bond fund is reimbursed from the state fund. For cost accounting purposes when project tracking is required, these transfers are represented as project expenditures in the state or other fund. Project expenditures are credited in the project's bond resource and debited to the projects state resource.

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, 2017
(Unaudited)

Cost Category	Adjusted Budget	Actual Expenditures Incurred			Unexpended Balance
		November 5, 2002 (Inception) through June 30, 2016	Expenditure Year Ended June 30, 2017	Total Expenditure through June 30, 2017	
Facilities Services Division (FSD)					
Capital Programs					
New Construction	\$ 2,969,295,430	\$ 2,862,909,380	\$ 8,285,746	\$ 2,871,195,126	\$ 98,100,304
School Modernization	756,887,795	632,766,803	4,625,904	637,392,707	119,495,088
Early Childhood Education	80,000,000	76,774,746	20,113	76,794,859	3,205,141
Charter Schools	53,500,000	41,446,078	2,150,141	43,596,219	9,903,781
Indirects	79,517,577	44,828,136	2,911,432	47,739,568	31,778,009
Total FSD Capital Programs	3,939,200,802	3,658,725,143	17,993,336	3,676,718,479	262,482,323
Information Technology Division (ITD)					
Virtual Learning Complex Planning	1,909,867	1,687,733	49,843	1,737,576	172,291
School Network Modernization	125,590,133	119,367,815	(182,518)	119,185,297	6,404,836
Total ITD Capital Programs	127,500,000	121,055,548	(132,675)	120,922,873	6,577,127
Library Services	38,000,000	37,503,773	396,117	37,899,890	100,110
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	11,250,001	11,250,001	-	11,250,001	-
Total Other Costs	20,688,367	20,688,367	-	20,688,367	-
Total Measure K Bond Expenditures	\$ 4,125,389,169	\$ 3,837,972,831	\$ 18,256,778	\$ 3,856,229,609	\$ 269,159,560

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, 2017
(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, 2017.

(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, 2016 and FY 2016-17 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, 2017, 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, 2017 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, 2017
(Unaudited)

d) Cost Category

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.

(3) Information Technology Division (ITD) – Category Change

The ITD Cost Category in the Fiscal Year 2016-17 Unaudited Supplementary Schedule of Bond Expenditures appear different than Fiscal Year 2015-16 due to additional new projects approved by the Board of Education in the 2017 ITD Strategic Execution Plan (SEP) and other Board Reports. The project categories were consolidated into cost categories by program.

The Information Technology Network Upgrade Program presented in the Fiscal Year 2015-16 Unaudited Supplementary Schedule of Bond Expenditures has been included under the umbrella of the School Network Modernization Program as of June 30, 2017.

The Unaudited Supplementary Schedule of Bond Expenditures has been updated to reflect this change.

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, 2017 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, 2017 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, 2017 (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 black ink, reading 'Simpson & Simpson' in a cursive script.

Los Angeles, California
January 25, 2018

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

Statement of Bond Expenditures

Year Ended June 30, 2017

Cost Category	2017
Facilities Services Division (FSD) Capital Programs	
New Construction	\$ 2,849,687
School Modernization	24,091,513
Early Childhood Education	9,622,385
Charter Schools	3,761,275
Indirects	5,299,289
Total FSD Capital Programs	<u>45,624,149</u>
Information Technology Division (ITD) Capital Programs	
Classroom Technology Modernization	9,543,903
School Network Modernization	9,704,504
My Integrated Student Information System	7,793,622
Disaster Recovery & Business Continuity	51,440
Total ITD Capital Programs	<u>27,093,469</u>
Library Services	497,897
Other Costs	
Office of the Inspector General	17,420
Total Other Costs	<u>17,420</u>
Total Expenditures, June 30, 2017	<u>\$ 73,232,935</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, 2017

(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. \$3.710 billion has since been issued between March 2004 and June 2015. 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 (SEP) 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, 2017, 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, 2017

b) Cost Category

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.

(3) Information Technology Division (ITD) – Category Changes

The ITD Cost Categories in the Fiscal Year 2016-17 Statement of Bond Expenditures appear different than Fiscal Year 2015-16 due to additional new projects approved by the Board of Education in the 2017 ITD Strategic Execution Plan (SEP) and other Board Reports. The project categories were consolidated into cost categories by program.

The Instructional Technology Initiative Program presented in the Fiscal Year 2015-16 Statement of Bond Expenditures has been included under the umbrella of the Classroom Technology Modernization Program as of June 30, 2017.

The Information Technology Network Upgrade Program presented in the Fiscal Year 2015-16 Statement of Bond Expenditures has been included under the umbrella of the School Network Modernization Program as of June 30, 2017.

The Statement of Bond Expenditures has been updated to reflect these changes.

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 Balances
Period from March 2, 2004 (Inception) to June 30, 2017
(Unaudited)

Sources of Funds from Inception through June 30, 2017:

Bonds Issued - FY 2004-05 through FY 2014-15	\$ 3,710,010,000
Adjustments - Bond Premium, net of Cost of Issuance (COI) FY 2004-05 through FY 2006-07	11,082,578
Adjustments - COI/Underwriter's Discount FY 2008-09	(2,447,946)
Interest Income - FY 2005-06 through FY 2015-16	143,716,604
Interest Income - FY 2016-17	2,547,247
Local Income - FY 2014-15 through FY 2015-16	27,198,009
Local Income - FY 2016-17	5,287,153
Federal Income - FY 2014-15	1,752,450
Transfers In (Reimbursements) - Other Financing Sources (OFS) FY 2005-06 through FY 2015-16	960,506,782
Transfers In (Reimbursements) - OFS FY 2016-17	18,660,710
Total Sources of Funds, June 30, 2017	\$ 4,878,313,587
Uses of Funds (Expenditures) from Inception through June 30, 2017	(4,675,674,076)
Fund Balance, June 30, 2017	\$ 202,639,511

Note to Schedule:

Other Financing Sources

Transfers In and Other Financing Sources (OFS) represent financial accounting transfers of resources to the bond fund from other funds, such as: the general fund, special reserve fund, or county school facilities (state) fund. The primary example is when a project uses bond funds in place of approved state funding until the state funding has been received. Upon receipt of state funding the bond fund is reimbursed from the state fund. For cost accounting purposes when project tracking is required, these transfers are represented as project expenditures in the state or other fund. Project expenditures are credited in the project's bond resource and debited to the projects state resource.

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, 2017
(Unaudited)

Cost Category	Adjusted Budget	Actual Expenditures Incurred			Unexpended Balance
		March 2, 2004 (Inception) through June 30, 2016	Expenditure Year Ended June 30, 2017	Total Expenditure through June 30, 2017	
Facilities Services Division (FSD)					
Capital Programs					
New Construction	\$ 1,865,187,300	\$ 1,794,292,339	\$ 2,849,687	\$ 1,797,142,026	\$ 68,045,274
School Modernization	1,883,829,050	1,792,260,970	24,091,513	1,816,352,483	67,476,567
Information Technology Network Upgrade	28,555	28,555	-	28,555	-
Adult and Career Education	25,000,000	24,548,609	-	24,548,609	451,391
Early Childhood Education	94,195,609	70,082,199	9,622,385	79,704,584	14,491,025
Charter Schools	71,885,324	58,767,061	3,761,275	62,528,336	9,356,988
Indirects	212,223,009	206,748,489	5,299,289	212,047,778	175,231
Total FSD Capital Programs	4,152,348,847	3,946,728,222	45,624,149	3,992,352,371	159,996,476
Information Technology Division (ITD)					
Capital Programs					
Classroom Technology Modernization	157,291,795	145,422,965	9,543,903	154,966,868	2,324,927
School Network Modernization	247,930,742	206,986,576	9,704,504	216,691,080	31,239,662
Safety, Communications and Security Modernization	1,864,969	1,864,969	-	1,864,969	-
My Integrated Student Information System	53,491,015	40,619,083	7,793,622	48,412,705	5,078,310
Disaster Recovery & Business Continuity	22,375,863	21,114,016	51,440	21,165,456	1,210,407
Total ITD Capital Programs	482,954,384	416,007,609	27,093,469	443,101,078	39,853,306
Library Services	53,000,000	49,978,784	497,897	50,476,681	2,523,319
Other Costs					
Employee Benefits and Other Post-Employment					
Benefits (OPEB)	11,065,191	11,065,191	-	11,065,191	-
Cost of Issuance	12,162,733	12,162,733	-	12,162,733	-
Office of Bond Compliance	418,241	157,119	-	157,119	261,122
Office of Inspector General	10,000,000	9,982,580	17,420	10,000,000	-
Total Other Costs	33,646,165	33,367,623	17,420	33,385,043	261,122
Other Financing Uses					
COPs Defeasance: Transfers Out to					
Debt Service Fund	150,000,000	149,994,712	-	149,994,712	5,288
Reimbursements: Transfers Out to Special Reserve Fund	1,752,450	1,752,450	-	1,752,450	-
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	156,364,191	156,358,903	-	156,358,903	5,288
Total Measure R Bond Expenditures	\$ 4,878,313,587	\$ 4,602,441,141	\$ 73,232,935	\$ 4,675,674,076	\$ 202,639,511

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, 2017
(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, 2017.

(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, 2016 and FY 2016-17 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, 2017, 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, 2017 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, 2017
(Unaudited)

d) Cost Category

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.

(3) Other Financing Uses

Transfers Out and Other Financing Uses (OFU) represent financial accounting transfers of bond proceeds (inter-fund transactions of revenue) from the bond fund to other funds for approved financing uses of bond funds. One example is reimbursement of prior year bond eligible capital expenditures in the general fund. For cost accounting purposes when project tracking is required, these transfers are represented as project expenditures in the bond fund.

(4) Information Technology Division (ITD) – Category Changes

The ITD Cost Categories in the Fiscal Year 2016-17 Unaudited Supplementary Schedule of Bond Expenditures appear different than Fiscal Year 2015-16 due to additional new projects approved by the Board of Education in the 2017 ITD Strategic Execution Plan (SEP) and other Board Reports. The project categories were consolidated into cost categories by program.

The Instructional Technology Initiative Program presented in the Fiscal Year 2015-16 Unaudited Supplementary Schedule of Bond Expenditures has been included under the umbrella of the Classroom Technology Modernization Program as of June 30, 2017.

The Information Technology Network Upgrade Program presented in the Fiscal Year 2015-16 Unaudited Supplementary Schedule of Bond Expenditures has been included under the umbrella of the School Network Modernization Program as of June 30, 2017.

The Radio Systems Program presented in the Fiscal Year 2015-16 Unaudited Supplementary Schedule of Bond Expenditures has been included under the umbrella of the Safety, Communications and Security Modernization Program as of June 30, 2017.

The Unaudited Supplementary Schedule of Bond Expenditures has been updated to reflect these changes.

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, 2017 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, 2017 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, 2017 (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 black ink, reading 'Simpson & Simpson' in a cursive script.

Los Angeles, California
January 25, 2018

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

Statement of Bond Expenditures

Year Ended June 30, 2017

Cost Category	2017
Facilities Services Division (FSD) Capital Programs	
New Construction	\$ 16,099,307
School Modernization	28,246,087
Information Technology Network Upgrade	1,182,405
Adult and Career Education	3,247,971
Early Childhood Education	72,696
Charter Schools	2,709,446
Indirects	1,196,480
Total FSD Capital Programs	<u>52,754,392</u>
Information Technology Division (ITD) Capital Programs	
School Network Modernization	2,993,159
Safety, Communications and Security Modernization	201,090
Total ITD Capital Programs	<u>3,194,249</u>
Transportation (Buses)	1,121,748
Library Services	1,760,081
Other Costs	
Office of Bond Compliance	7,500
Office of the Inspector General	11,175
Total Other Costs	<u>18,675</u>
Total Expenditures, June 30, 2017	<u>\$ 58,849,145</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, 2017

(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. \$3.60 billion has since been issued between November 2005 and June 2015. 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 (SEP) 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, 2017

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, 2017, 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 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.

(3) Information Technology Division (ITD) – Category Changes

The ITD Cost Categories in the Fiscal Year 2016-17 Statement of Bond Expenditures appear different than Fiscal Year 2015-16 due to additional new projects approved by the Board of Education in the 2017 ITD Strategic Execution Plan (SEP) and other Board Reports. The project categories were consolidated into cost categories by program.

The Information Technology Network Upgrade Program presented in the Fiscal Year 2015-16 Statement of Bond Expenditures has been included under the umbrella of the School Network Modernization Program as of June 30, 2017.

The Radio System Program presented in the Fiscal Year 2015-16 Statement of Bond Expenditures has been included under the umbrella of the Safety, Communications and Security Modernization Program as of June 30, 2017.

The Statement of Bond Expenditures has been updated to reflect these changes.

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 Balances
Period from November 8, 2005 (Inception) to June 30, 2017
(Unaudited)

Sources of Funds from Inception through June 30, 2017:

Bonds Issued - FY 2005-06 through FY 2014-15	\$ 3,602,850,000
Adjustments - Bond Premium, net of Cost of Issuance (COI) FY 2005-06	6,614,884
Adjustments - COI/Underwriter's Discount FY 2008-09	(667,495)
Interest Income - FY 2005-06 through FY 2015-16	100,101,037
Interest Income - FY 2016-17	371,924
Local Income - FY 2007-08 through FY 2015-16	37,038,000
Transfers In (Reimbursements) - Other Financing Sources (OFS)	
FY 2005-06 through FY 2015-16	480,245,516
Transfers In (Reimbursements) - OFS FY 2016-17	19,007,037
Total Sources of Funds, June 30, 2017	\$ 4,245,560,903
Uses of Funds (Expenditures) from Inception through June 30, 2017	(4,248,924,488)
Fund (Deficit), June 30, 2017	\$ (3,363,585)

Notes to Schedule:

Other Financing Sources

Transfers In and Other Financing Sources (OFS) represent financial accounting transfers of resources to the bond fund from other funds, such as: the general fund, special reserve fund, or county school facilities (state) fund. The primary example is when a project uses bond funds in place of approved state funding until the state funding has been received. Upon receipt of state funding the bond fund is reimbursed from the state fund. For cost accounting purposes when project tracking is required, these transfers are represented as project expenditures in the state or other fund. Project expenditures are credited in the project's bond resource and debited to the projects state resource.

Fund Deficit

The Measure Y Fund Deficit for the fiscal year ended June 30, 2017 is a function of the planning and timing of the issuance and sales of authorized bonds. As a whole, the District's Bond Funds (Proposition BB, Measure K, Measure R, Measure Y, Measure Q) reported a Fund Balance of \$693 million as of fiscal year ended June 30, 2017. The District plans to issue up to \$1.4 billion in bonds in March 2018 with an estimated \$145 million designated for Measure Y, at which point the Fund Deficit will be eliminated.

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, 2017
 (Unaudited)

Cost Category	Adjusted Budget	Actual Expenditures Incurred			Unexpended / Over-expended Balance
		November 8, 2005 (Inception) through June 30, 2016	Expenditure Year Ended June 30, 2017	Total Expenditure through June 30, 2017	
Facilities Services Division (FSD)					
New Construction	\$ 2,304,054,090	\$ 2,321,743,934	\$ 16,099,307	\$ 2,337,843,241	\$ (33,789,151)
School Modernization	969,620,177	944,986,545	28,246,087	973,232,632	(3,612,455)
Information Technology Network Upgrade	163,694,210	162,511,805	1,182,405	163,694,210	-
Adult and Career Education	70,485,965	63,590,067	3,247,971	66,838,038	3,647,927
Early Childhood Education	32,000,000	31,712,137	72,696	31,784,833	215,167
Charter Schools	38,000,000	33,936,198	2,709,446	36,645,644	1,354,356
Indirects	17,196,022	15,994,228	1,196,480	17,190,708	5,314
Total FSD Capital Programs	<u>3,595,050,464</u>	<u>3,574,474,914</u>	<u>52,754,392</u>	<u>3,627,229,306</u>	<u>(32,178,842)</u>
Information Technology Division (ITD)					
Virtual Learning Complex Planning	2,030,131	1,878,689	-	1,878,689	151,442
Classroom Technology Modernization	20,557,965	18,326,381	-	18,326,381	2,231,584
School Network Modernization	133,192,104	117,732,497	2,993,159	120,725,656	12,466,448
Safety, Communications and Security Modernization	30,316,963	19,650,605	201,090	19,851,695	10,465,268
Total ITD Capital Programs	<u>186,097,163</u>	<u>157,588,172</u>	<u>3,194,249</u>	<u>160,782,421</u>	<u>25,314,742</u>
Transportation (Buses)	25,000,000	22,535,605	1,121,748	23,657,353	1,342,647
Library Services	5,000,000	1,630,566	1,760,081	3,390,647	1,609,353
Other Costs					
Employee Benefits and Other Post-Employment Benefits (OPEB)	25,280,723	25,280,723	-	25,280,723	-
Cost of Issuance	8,485,821	8,485,821	-	8,485,821	-
Office of Bond Compliance	2,157,766	2,150,266	7,500	2,157,766	-
Office of Inspector General	15,000,000	14,440,310	11,175	14,451,485	548,515
Total Other Costs	<u>50,924,310</u>	<u>50,357,120</u>	<u>18,675</u>	<u>50,375,795</u>	<u>548,515</u>
Other Financing Uses					
COPs Defeasance: Transfers Out to Debt Service Fund	193,738,416	193,738,416	-	193,738,416	-
COPS Defeasance Cafeteria: Transfers Out to Special Reserve Fund Capital Outlay	20,554,147	20,554,147	-	20,554,147	-
COPS Defeasance ISIS: Transfers Out to Special Reserve Fund Capital Outlay	12,663,712	12,663,712	-	12,663,712	-
CIPR Cafeteria: Transfers Out to Cafeteria Fund	4,999,580	4,999,580	-	4,999,580	-
Buses: Transfer Out to General Fund Restricted	3,460,803	3,460,803	-	3,460,803	-
CIPR Integrated Student Information Systems (ISIS): Transfers Out to General Fund Restricted	26,400,000	26,400,000	-	26,400,000	-
Deferred Maintenance Match: Transfers Out to General Fund Restricted	120,000,000	120,000,000	-	120,000,000	-
Transfers Out to General Fund	1,672,308	1,672,308	-	1,672,308	-
Total Other Financing Uses	<u>383,488,966</u>	<u>383,488,966</u>	<u>-</u>	<u>383,488,966</u>	<u>-</u>
Total Measure Y Bond Expenditures	<u>\$ 4,245,560,903</u>	<u>\$ 4,190,075,343</u>	<u>\$ 58,849,145</u>	<u>\$ 4,248,924,488</u>	<u>\$ (3,363,585)</u>

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, 2017
(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, 2017.

(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, 2016 and FY 2016-17 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, 2017, 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 / Over-Expended 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, 2017 column.

The Facilities Services Division (FSD) New Construction and School Modernization Programs have an over-expended balance as of fiscal year ended June 30, 2017. This is a function of the planning and timing of the issuance and sales of authorized bonds.

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, 2017
(Unaudited)

c) Unexpended / Over-Expended Balance (continued)

As a whole, the District's Bond Funds (Proposition BB, Measure K, Measure R, Measure Y, Measure Q) reported an Unexpended Balance of \$238M for the New Construction Program, and \$185M for the School Modernization Program as of fiscal year ended June 30, 2017. The District plans to issue up to \$1.4 billion in bonds in March 2018 with an estimated \$145 million designated for Measure Y, at which point the over-expended balances will be eliminated.

d) Cost Category

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.

(3) Other Financing Uses

Transfers Out and Other Financing Uses (OFU) represent financial accounting transfers of bond proceeds (inter-fund transactions of revenue) from the bond fund to other funds for approved financing uses of bond funds. One example is reimbursement of prior year bond eligible capital expenditures in the general fund. For cost accounting purposes when project tracking is required, these transfers are represented as project expenditures in the bond fund.

(4) Information Technology Division (ITD) – Category Changes

The ITD Cost Categories in the Fiscal Year 2016-17 Unaudited Supplementary Schedule of Bond Expenditures appear different than Fiscal Year 2015-16 due to additional new projects approved by the Board of Education in the 2017 ITD Strategic Execution Plan (SEP) and other Board Reports. The project categories were consolidated into cost categories by program.

The Instructional Technology Initiative Program presented in the Fiscal Year 2015-16 Unaudited Supplementary Schedule of Bond Expenditures has been included under the umbrella of the Classroom Technology Modernization Program as of June 30, 2017.

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, 2017
(Unaudited)

(4) Information Technology Division (ITD) – Category Changes (continued)

The Information Technology Network Upgrade Program presented in the Fiscal Year 2015-16 Unaudited Supplementary Schedule of Bond Expenditures has been included under the umbrella of the School Network Modernization Program as of June 30, 2017.

The Radio Systems Program presented in the Fiscal Year 2015-16 Unaudited Supplementary Schedule of Bond Expenditures has been included under the umbrella of the Safety, Communications and Security Modernization Program as of June 30, 2017.

The Unaudited Supplementary Schedule of Bond Expenditures has been updated to reflect these changes.

LOS ANGELES UNIFIED SCHOOL DISTRICT
MEASURE Q 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 Q School Bond Construction Program** of the Los Angeles Unified School District (the District) for the year ended June 30, 2017 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 Q School Bond Construction Program of the Los Angeles Unified School District for the year ended June 30, 2017 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 Q 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 4, 2008 (inception) to June 30, 2017 (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 black ink that reads 'Simpson & Simpson'.

Los Angeles, California
January 25, 2018

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

Statement of Bond Expenditures

Year Ended June 30, 2017

Cost Category	2017
Facilities Services Division (FSD) Capital Programs	
School Modernization	\$ 119,687,014
Adult and Career Education	454,656
Early Childhood Education	1,151,865
Charter Schools	130,823
Indirects	74,842,234
Total FSD Capital Programs	<u>196,266,592</u>
Information Technology Division (ITD) Capital Programs	
Classroom Technology Modernization	2,653,990
School Network Modernization	797,432
My Integrated Student Information System	43,700,773
Cafeteria Management System (CMS) - Point of Sale (POS) Technology Upgrade	3,793,165
Disaster Recovery & Business Continuity	15,787,443
Total ITD Capital Programs	<u>66,732,803</u>
Other Costs	
Office of Bond Compliance	1,107,269
Office of the Inspector General	3,578,923
Total Other Costs	<u>4,686,192</u>
Other Financing Uses	
School Upgrade Program (SUP) Transfers Out to Cafeteria Fund - Upgrade Food Services Kitchen Equipment	483,380
Transfers Out to General Fund - Routine Restricted General Maintenance (RRGM)	10,106,429
Total Other Financing Uses	<u>10,589,809</u>
Total Expenditures and Other Uses, June 30, 2017	<u>\$ 278,275,396</u>

See accompanying notes to statement of bond expenditures.

LOS ANGELES UNIFIED SCHOOL DISTRICT
MEASURE Q SCHOOL BOND CONSTRUCTION PROGRAM

Notes to Statement of Bond Expenditures
Year Ended June 30, 2017

(1) Measure Q School Bond Construction Program Background

The Measure Q School Bond Construction Program (Program) or "the Safe and Healthy Neighborhood Schools Repair and Construction Measure of 2008" 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 Q on the 2008 ballot. The Measure Q School Bond initiative authorized the issuance of \$7.0 billion in bonds. \$.649 billion has since been issued between November 2008 and June 2016. The proceeds from the Measure Q 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 (SEP) 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 Q SCHOOL BOND CONSTRUCTION PROGRAM

Notes to Statement of Bond Expenditures
Year Ended June 30, 2017

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, 2017, 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 Measure Q 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.

(3) Other Financing Uses

Transfers Out and Other Financing Uses (OFU) represent financial accounting transfers of bond proceeds (inter-fund transactions of revenue) from the bond fund to other funds for approved financing uses of bond funds. One example is reimbursement of prior year bond eligible capital expenditures in the general fund. For cost accounting purposes when project tracking is required, these transfers are represented as project expenditures in the bond fund.

(4) Information Technology Division (ITD) – Category Change

The ITD Cost Category in the Fiscal Year 2016-17 Statement of Bond Expenditures appear different than Fiscal Year 2015-16 due to additional new projects approved by the Board of Education in the 2017 ITD Strategic Execution Plan (SEP) and other Board Reports. The project categories were consolidated into cost categories by program.

The Information Technology Network Upgrade Program presented in the Fiscal Year 2015-16 Statement of Bond Expenditures has been included under the umbrella of the School Network Modernization Program as of June 30, 2017.

The Statement of Bond Expenditures has been updated to reflect this change.

UNAUDITED SUPPLEMENTARY SCHEDULES

LOS ANGELES UNIFIED SCHOOL DISTRICT
MEASURE Q SCHOOL BOND CONSTRUCTION PROGRAM
Unaudited Supplementary Schedule of Sources and Uses of Funds and Fund Balances
Period from November 4, 2008 (Inception) to June 30, 2017
(Unaudited)

Sources of Funds from Inception through June 30, 2017:	
Bonds Issued - FY 2015-16	\$ 648,955,000
Local Income - FY 2015-16	1,196,948
Interest Income - FY 2016-17	4,184,136
Transfers In (Reimbursements) -	
Other Financing Sources (OFS) FY 2016-17	412,253
Total Sources of Funds, June 30, 2017	\$ 654,748,337
Uses of Funds (Expenditures) from Inception through June 30, 2017	(441,008,296)
Fund Balance, June 30, 2017	\$ 213,740,041

Note to Schedule:

Other Financing Sources

Transfers In and Other Financing Sources (OFS) represent financial accounting transfers of resources to the bond fund from other funds, such as: the general fund, special reserve fund, or county school facilities (state) fund. The primary example is when a project uses bond funds in place of approved state funding until the state funding has been received. Upon receipt of state funding the bond fund is reimbursed from the state fund. For cost accounting purposes when project tracking is required, these transfers are represented as project expenditures in the state or other fund. Project expenditures are credited in the project's bond resource and debited to the projects state resource.

See accompanying independent auditor's report.

LOS ANGELES UNIFIED SCHOOL DISTRICT
MEASURE Q SCHOOL BOND CONSTRUCTION PROGRAM
 Unaudited Supplementary Schedule of Bond Expenditures
 Period from November 4, 2008 (Inception) to June 30, 2017
 (Unaudited)

Cost Category	Adjusted Budget	Actual Expenditures Incurred		Total Expenditure through June 30, 2017	Unexpended Balance
		November 4, 2008 (Inception) through June 30, 2016	Expenditure Year Ended June 30, 2017		
Facilities Services Division (FSD)					
School Modernization	\$ 248,869,028	\$ 28,455,174	\$ 119,687,014	\$ 148,142,188	\$ 100,726,840
Adult and Career Education	542,411	87,755	454,656	542,411	-
Early Childhood Education	1,151,865	-	1,151,865	1,151,865	-
Charter Schools	157,962	27,139	130,823	157,962	-
Indirects	133,866,160	59,023,926	74,842,234	133,866,160	-
Total FSD Capital Programs	384,587,426	87,593,994	196,266,592	283,860,586.00	100,726,840
Information Technology Division (ITD)					
Classroom Technology Modernization	25,356,000	-	2,653,990	2,653,990	22,702,010
School Network Modernization	8,540,696	886,764	797,432	1,684,196	6,856,500
My Integrated Student Information System	119,971,097	44,931,729	43,700,773	88,632,502	31,338,595
Cafeteria Management System (CMS) - Point of Sale (POS) Technology Upgrade	6,300,000	-	3,793,165	3,793,165	2,506,835
Disaster Recovery & Business Continuity	47,878,366	8,907,707	15,787,443	24,695,150	23,183,216
Enterprise Software Systems	8,372,000	-	-	-	8,372,000
Total ITD Capital Programs	216,418,159	54,726,200	66,732,803	121,459,003	94,959,156
Other Costs					
Cost of Issuance	519,135	519,135	-	519,135	-
Office of Bond Compliance	12,740,237	-	1,107,269	1,107,269	11,632,968
Office of Inspector General	10,000,000	-	3,578,923	3,578,923	6,421,077
Total Other Costs	23,259,372	519,135	4,686,192	5,205,327	18,054,045
Other Financing Uses					
School Upgrade Program (SUP) Transfers Out to Cafeteria Fund - Upgrade Food Services Kitchen Equipment	483,380	-	483,380	483,380	-
Transfers Out to General Fund - Routine Restricted General Maintenance (RRGM)	30,000,000	19,893,571	10,106,429	30,000,000	-
Total Other Financing Uses	30,483,380	19,893,571	10,589,809	30,483,380	-
Total Measure Q Bond Expenditures	\$ 654,748,337	\$ 162,732,900	\$ 278,275,396	\$ 441,008,296	\$ 213,740,041

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

LOS ANGELES UNIFIED SCHOOL DISTRICT
MEASURE Q SCHOOL BOND CONSTRUCTION PROGRAM
Notes to Unaudited Supplementary Schedule of Bond Expenditures
Period from November 4, 2008 (inception) to June 30, 2017
(Unaudited)

(1) Background

The unaudited supplementary schedule of bond expenditures, presents expenditures of the Measure Q School Bond Construction Program for the period from November 4, 2008 (inception) through June 30, 2017.

(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 4, 2008 (inception) through June 30, 2016 and FY 2016-17 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 4, 2008 (inception) through June 30, 2017, 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 represent the difference between the adjusted budget column and the total expenditures through June 30, 2017 column.

LOS ANGELES UNIFIED SCHOOL DISTRICT
MEASURE Q SCHOOL BOND CONSTRUCTION PROGRAM
Notes to Unaudited Supplementary Schedule of Bond Expenditures
Period from November 4, 2008 (inception) to June 30, 2017
(Unaudited)

d) Cost Category

The major cost categories in the unaudited supplementary schedule of bond expenditures from inception for Measure Q 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.

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(4) Information Technology Division (ITD) – Category Change

The ITD Cost Category in the Fiscal Year 2016-17 Unaudited Supplementary Schedule of Bond Expenditures appear different than Fiscal Year 2015-16 due to additional new projects approved by the Board of Education in the 2017 ITD Strategic Execution Plan (SEP) and other Board Reports. The project categories were consolidated into cost categories by program.

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