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, 2018,
Statements of Bond Expenditures
and Supplementary Schedules as of June 30, 2018
(With Independent Auditor's Reports Thereon)

S&S

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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, 2018. District management is responsible for the administration of the Bond Programs. 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

The goal of this procedure is to determine that the project-related expenditures are a) consistent with respective Bond measure language, b) work scopes approved by the Board of Education, and c) invoice payments that were processed with appropriate payment procedures.

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, 2018, we selected a total of 50 expenditure 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:

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

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

1.4 For the items selected in Procedure 1, 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

The goal of this procedure is to test Board-authorized uses of Local Bond funds where the original expenditures are charged to General Funds or other fund outside of the Local Bond funds. These expenditures are transferred to the Local Bond Funds during the fiscal year. This test, similar to other tests, is to determine if the use of Bond Funds is appropriate.

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 within the same fiscal period.

From the population of all expenditures charged to non-Local Bond fund programs used to perform Board-authorized work for the fiscal year ended June 30, 2018, we selected a total of 25 samples among the below 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
- Parent Center Project-related Certificated salaries
- Transportation Services Division Buses

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

We noted no Interfund Transfers-Out activity for Kitchen Equipment Replacement activity and Parent Center Project-related Certificated salaries.

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 selected 10 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, 2017 through December 31, 2017, and January 1, 2018 through June 30, 2018. Of the 20 forms over the 10 employees, we noted the following:

- 1 form covering 1 employee was not signed by the employee's supervisor as stipulated per BUL-6521.1.
- 8 forms covering 8 employees were signed and dated by the employee and supervisor after the stipulated due date per BUL-6521.1.
- 6 forms covering 5 employees were not submitted as stipulated per BUL-6521.1.

Management Response

The Office of Bond Compliance has revised its procedure of extracting data for employees requiring semi-annual certifications to include expenses budgeted in General Fund program codes and subsequently charged to GO Bond funds through Interfund transfers.

Procedure 3

The goal of this procedure is to test appropriate use of Bond funds regarding expenditures for contract professionals.

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, 2018, we selected up to 25 individual contract professionals from the active staff augmentation / professional services staffing agreements charged to the Local Bond funds (Proposition BB, Measure K, Measure R, Measure Y, and Measure Q) for the fiscal year ended June 30, 2018 and representing the following distribution:

- 8 expenditure samples to represent Facilities (excluding M&O, with no more than a single sample from each office cost center),
- 7 expenditure samples to represent M&O,
- 6 expenditure samples to represent ITD,
- 2 expenditure samples to represent the Office of Environmental Health and Safety (OEHS), and
- 2 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 sample selected in procedure 3 to determine consistency with the terms of the agreement.

Results

We noted no staff augmentation/professional services staffing agreements for OEHS.

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

3.2 For each sample selected in Procedure 3, we performed tests used in procedure 1.2.

Results

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

Procedure 4

The goal of this procedure is to test that Bond funds are not used for "administrator" or "teacher" salaries.

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, 2018, 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:

- 8 samples to represent Facilities (excluding M&O),
- 5 samples to represent M&O,
- 9 samples to represent ITD,
- 2 samples to represent ILTSS,
- 2 samples to represent Office of Inspector General (OIG),
- 1 sample to represent Office of General Counsel (OGC),
- 3 samples to represent OEHS
- 3 samples to represent Finance and Office of Bond Compliance,
- 3 samples to represent Procurement and Facilities Contracts,
- 5 samples to represent District Operations,
- 2 samples to represent the Personnel Commission,
- 1 sample to represent Risk Management & Insurance Services,
- 1 sample to represent Office of communications, and
- 5 samples to represent Educational Services Offices.

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 the responsible division or department administrator to justify bond-funded position and alignment with actual work performed for the fiscal year ended June 30, 2018. 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

We noted no salary expenditures for the Risk Management & Insurance Services and Office of Communications departments, resulting in a total of 48 salary expenditure samples tested.

A total of 8 positions were identified as being 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 48 employees sampled, we noted a total of 19 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.

We noted 29 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, 2017 through December 31, 2017, and January 1, 2018 through June 30, 2018. Of the 58 forms over the 29 employees, we noted the following:

- 9 forms covering 9 employees were signed and dated by the employee and supervisor after the stipulated due date per BUL-6521.1.
- 1 form covering 1 employee was signed and dated by the employee and supervisor subsequent to our request.
- 1 form covering 1 employee was not signed by the supervisor as stipulated per BUL-6521.1.
- 5 forms covering 4 employees were not submitted as stipulated per BUL-6521.1.
- 1 form covering 1 employee was not completed properly as stipulated per BUL-6521.1. The form was missing the following required information:
  - % of Regular Time Spent on Bond-Eligible Projects/Activities
  - Program/Project Name(s)

Management Response

The Office of Bond Compliance will continue to find ways of improving the process of notifying and reminding employees and supervisors of the requirement to submit semi-annual certifications in a timely manner.

Procedure 5

The goal of this procedure is to test the use of Bond funds on indirect or office expenditures.

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, 2018, 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),
- 10 expenditure samples to represent M&O,
- 10 expenditure samples to represent ITD,
- 1 expenditure sample to represent ILTSS,
- 2 expenditure samples to represent OIG,
- 2 expenditure samples to represent OGC,
- 1 expenditure sample to represent OEHS,
- 3 expenditure samples to represent Finance and Office of Bond Compliance,
- 3 expenditure samples to represent Procurement,
- 5 expenditure samples to represent District Operations,
- 1 expenditure sample to represent the Personnel Commission,
- 1 expenditure sample to represent the Office of the CEO, District Operations, and Digital Innovation, and
- 1 expenditure sample to represent the Educational Services Offices.

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 no salary expenditures for ITD, ILTSS, OIG, OGC, OEHS, Finance and Office of Bond Compliance, Procurement, Personnel Commission, Office of the CEO, District Operations and Digital Innovation, resulting in a total of 26 expenditure samples tested.

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

Procedure 6

The goal of this procedure is to test construction change orders for compliance with Public Contract Code and District policy.

From a list of FSD construction contract change orders generated from the Colin system approved during the fiscal year ended June 30, 2018, 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 per Public Contract Code Section 20118.4, where applicable, individual Change Orders may not exceed ten percent (10%) of the original contract price.
- For demolition, reconstruction or rehabilitation work of existing structures per Public Contract Code Section 20118.4, where applicable, 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

None of the 25 samples we tested were an End User-Initiated change order. As such, this procedure is not applicable.

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, 2018 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

The goal of this procedure is to reconcile the "Summary Statements of Bond Expenditures" with the Audited Annual Financial Report.

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, 2018.

Results

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

Procedure 8

The goal of this procedure is to test Facilities Services Division's compliance with LAUSD School Construction Bond Citizens' Oversight Committee (BOC) Memorandum of Understanding.

We selected a sample of 10 projects from the 2018 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, 2018:

8.1 For each of the ten projects selected in procedure 8, we compared the project budgets from the 2018 FSD SEP to the 2017 FSD SEP. For each project with a 2018 FSD SEP project budget that increased $100,000 or more than the 2017 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 2018 FSD SEP to the 2017 FSD SEP. For each project with a 2018 FSD SEP substantial completion date that was later than the 2017 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

For Frost MS (10368193), we noted that the 2018 FSD SEP substantial completion date was later than the 2017 FSD SEP substantial completion date. However, we confirmed based on our review of the exception reports submitted to the BOC, that the 2018 FSD SEP was incorrect and the substantial completion date should not have been changed. As the substantial completion date was not changed, the procedure is not applicable for this project.

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 2018 FSD SEP to the 2017 FSD SEP. For each project with a 2018 FSD SEP scope that differs significantly from the 2017 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

The goal of this procedure is to test Information Technology Division's compliance with LAUSD School Construction Bond Citizens' Oversight Committee (BOC) Memorandum of Understanding.

We selected a sample of twelve (12) Local Bond Information Technology Division (ITD) projects from the 2018 ITD SEP one from each of the following seven ITD project types:

- Cafeteria Management System – Point of Sale Technology Upgrade,
- Classroom Technology Modernization (includes Instruction Technology Initiative and Learning Management System),
- Disaster Recovery and Business Continuity,
- Enterprise Software Systems (includes Enterprise Reporting and Unified Enrollment)
- Safety, Communications, and Security Modernization (includes Radio Systems and School Telecommunications Modernization),
- School Network Modernization (includes Core Network Modernization, Local Area Network Modernizations, and IT Network Equipment Upgrades),

- Student Information Systems Optimization (includes My Integrated Student Information System), and
- Virtual Learning Complex Foundation

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 twelve project types selected in procedure 9, we selected one component and compared the project budgets from the 2018 ITD SEP to the 2017 ITD SEP. For each project with a 2018 ITD SEP project budget that increased $100,000 or more than the 2017 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 twelve projects selected in procedure 9, we selected one component and compared the substantial completion dates from the 2018 ITD SEP to the 2017 ITD SEP. For each project that has a 2018 ITD SEP substantial completion date that is 180 days or greater than the 2017 ITD SEP substantial completion date, if applicable, we determined whether the delay was reported to the BOC.

Results

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

9.3 For each of the twelve projects selected in procedure 9, we compared the project's scope from the 2018 ITD SEP to the 2017 ITD SEP. For each project with 2018 ITD SEP scope that differs significantly from the 2017 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

The goal of this procedure is to test compliance with Bond language requirement of a salaries survey.

The following 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 ended fiscal years. This procedure was not reported in the previous fiscal year and is now required for the year ended June 30, 2018.

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

We noted the FSD management compensation survey was not performed for the year ended June 30, 2018.

As such, there was no Board of Education declaration of a finding that managers of the District's FSD are being compensated accordingly.

Management Response

Management will submit a plan, for the Superintendent's approval in 2019 to be in compliance with the bond language requirement of a salary survey.

Procedure 11

We followed-up with management regarding the status of the FY 16-17 and FY 15-16 findings. See below for prior year findings, and the current status:

Finding – FY 16-17 - Procedure 4.2

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.

Current Status

Implemented. In October 2017, a Financial Analyst was hired for the Office of Bond Compliance to monitor the filing of the Semi-Annual Certifications for applicable General Obligation Bond funded positions.

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. The results of the survey were not presented to the Board of Education. The District is required to conduct another survey during Fiscal Year 2017-18. Refer to the results of Procedure 10 above.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants.

We were not engaged to, and did not conduct an examination or review, the objective of which would be the expression of an opinion or conclusion, respectively, 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.

Simpson & Simpson

Los Angeles, California
February 19, 2019

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, 2018 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.

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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, 2018 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, 2018 (Supplementary Schedules), are presented for purposes of additional analysis, and are not a required part of the statement of bond expenditures.

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

Simpson & Simpson

Los Angeles, California
February 19, 2019

LOS ANGELES UNIFIED SCHOOL DISTRICT
PROPOSITION BB SCHOOL BOND CONSTRUCTION PROGRAM
Statement of Bond Expenditures
Year Ended June 30, 2018

Cost Category	2018
Facilities Services Division (FSD) Capital Programs	
New Construction	$ 45,672
School Modernization	4,069,942
Total FSD Capital Programs	4,115,614
Total Expenditures, June 30, 2018	**$ 4,115,614**

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, 2018

(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, 2018, 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, 2018
(Unaudited)

Sources of Funds from Inception through June 30, 2018:	
Bonds Issued - FY 1997-98 through FY 2002-03 (final issuance)	$ 2,400,000,000
Interest Income - FY 1997-98 through FY 2016-17	177,411,898
Interest Income - FY 2017-18	132,426
Local Income - FY 2001-02 through FY 2016-17	1,966,538
Transfers In (Reimbursements) - Other Financing Sources (OFS) FY 2006-07 through FY 2016-17	201,068,209
Transfers In (Reimbursements) - OFS FY 2017-18	2,794,263
Total Sources of Funds, June 30, 2018	$ 2,783,373,334
Uses of Funds (Expenditures) from Inception through June 30, 2018	(2,773,971,444)
Fund Balance, June 30, 2018	**$ 9,401,890**

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, 2018
(Unaudited)

Cost Category	Adjusted Budget	Actual Expenditures Incurred: April 8, 1997 (Inception) through June 30, 2017	Actual Expenditures Incurred: Expenditure Year Ended June 30, 2018	Actual Expenditures Incurred: Total Expenditure through June 30, 2018	Unexpended Balance
Facilities Services Division (FSD)					
Capital Programs					
New Construction	$ 828,112,718	$ 823,160,043	$ 45,672	$ 823,205,715	$ 4,907,003
School Modernization	1,920,155,828	1,915,515,012	4,069,942	1,919,584,954	570,874
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	2,760,037,223	2,746,519,723	4,115,614	2,750,635,337	9,401,886
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	**$ 2,783,373,334**	**$ 2,769,855,830**	**$ 4,115,614**	**$ 2,773,971,444**	**$ 9,401,890**

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, 2018
(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, 2018.

(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, 2017 and FY 2017-18 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, 2018, 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, 2018 column.

d) Cost Category

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

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

(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, 2018 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.

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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, 2018 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, 2018 (Supplementary Schedules), are presented for purposes of additional analysis, and are not a required part of the statement of bond expenditures.

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

Simpson & Simpson

Los Angeles, California
February 19, 2019

LOS ANGELES UNIFIED SCHOOL DISTRICT
MEASURE K SCHOOL BOND CONSTRUCTION PROGRAM
Statement of Bond Expenditures
Year Ended June 30, 2018

Cost Category	2018
Facilities Services Division (FSD) Capital Programs	
New Construction	$ 3,486,697
School Modernization	4,713,375
Charter Schools	7,685,453
Indirects	13,030,760
Total FSD Capital Programs	28,916,285
Information Technology Division (ITD) Capital Programs	
Virtual Learning Complex Planning	152,769
School Network Modernization	825,913
Safety, Communications and Security Modernization	1,921,847
Total ITD Capital Programs	2,900,529
Library Services	49,198
Total Library Services	49,198
Total Expenditures, June 30, 2018	**$ 31,866,012**

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, 2018

(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, 2018, 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 K represent bond programs funded by the bond. The cost category "Indirects" refer to all expenditures that should not or cannot be reasonably attributed to individual projects.

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

UNAUDITED SUPPLEMENTARY SCHEDULES

LOS ANGELES UNIFIED SCHOOL DISTRICT
MEASURE K SCHOOL BOND CONSTRUCTION PROGRAM
Unaudited Supplementary Schedule of Sources and Uses of Funds and Fund Balances
Period from November 5, 2002 (Inception) to June 30, 2018
(Unaudited)

Sources of Funds from Inception through June 30, 2018:	
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 2016-17	144,019,839
Interest Income - FY 2017-18	4,308,109
Local Income - FY 2013-14 through FY 2016-17	1,041,097
Transfers In (Reimbursements) - Other Financing Sources (OFS) FY 2006-07 through FY 2016-17	625,957,545
Transfers In (Reimbursements) - OFS FY 2017-18	46,184,733
Total Sources of Funds, June 30, 2018	$ 4,175,882,011
Uses of Funds (Expenditures) from Inception through June 30, 2018	(3,888,095,621)
Fund Balance, June 30, 2018	**$ 287,786,390**

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, 2018
(Unaudited)

		Actual Expenditures Incurred			
Cost Category	**Adjusted Budget**	**November 5, 2002 (Inception) through June 30, 2017**	**Expenditure Year Ended June 30, 2018**	**Total Expenditure through June 30, 2018**	**Unexpended Balance**
Facilities Services Division (FSD)					
Capital Programs					
New Construction	$ 3,014,965,646	$ 2,871,195,126	$ 3,486,697	$ 2,874,681,823	$ 140,283,823
School Modernization	761,710,421	637,392,707	4,713,375	642,106,082	119,604,339
Early Childhood Education	80,000,000	76,794,859	-	76,794,859	3,205,141
Charter Schools	53,500,000	43,596,219	7,685,453	51,281,672	2,218,328
Indirects	79,517,577	47,739,568	13,030,760	60,770,328	18,747,249
Total FSD Capital Programs	3,989,693,644	3,676,718,479	28,916,285	3,705,634,764	284,058,880
Information Technology Division (ITD)					
Capital Programs					
Virtual Learning Complex Planning	1,909,867	1,737,576	152,769	1,890,345	19,522
School Network Modernization	123,668,286	119,185,297	825,913	120,011,210	3,657,076
Safety, Communications and Security Modernization	1,921,847	-	1,921,847	1,921,847	-
Total ITD Capital Programs	127,500,000	120,922,873	2,900,529	123,823,402	3,676,598
Library Services	38,000,000	37,899,890	49,198	37,949,088	50,912
Total Library Services	38,000,000	37,899,890	49,198	37,949,088	50,912
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	**$ 4,175,882,011**	**$ 3,856,229,609**	**$ 31,866,012**	**$ 3,888,095,621**	**$ 287,786,390**

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, 2018
(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, 2018.

(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, 2017 and FY 2017-18 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, 2018, 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, 2018 column.

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.

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, 2018 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.

CPA
The CPA. Never Underestimate The Value.

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, 2018 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, 2018 (Supplementary Schedules), are presented for purposes of additional analysis, and are not a required part of the statement of bond expenditures.

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

Simpson & Simpson

Los Angeles, California
February 19, 2019

LOS ANGELES UNIFIED SCHOOL DISTRICT
MEASURE R SCHOOL BOND CONSTRUCTION PROGRAM
Statement of Bond Expenditures
Year Ended June 30, 2018

Cost Category	2018
Facilities Services Division (FSD) Capital Programs	
New Construction	$ 1,723,291
School Modernization	42,195,521
Early Childhood Education	1,907,354
Charter Schools	6,435,017
Indirects	1,133,079
Total FSD Capital Programs	53,394,262
Information Technology Division (ITD) Capital Programs	
Classroom Technology Modernization	4,340,254
School Network Modernization	20,649,577
Safety, Communications and Security Modernization	3,841,954
My Integrated Student Information System	2,919,022
Disaster Recovery & Business Continuity	169,611
Total ITD Capital Programs	31,920,418
Library Services	396,266
Total Library Services	396,266
Total Expenditures, June 30, 2018	**$ 85,710,946**

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, 2018

(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, 2018, 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 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.

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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, 2018
(Unaudited)

Sources of Funds from Inception through June 30, 2018:		
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 2016-17		146,263,851
Interest Income - FY 2017-18		2,937,376
Local Income - FY 2014-15 through FY 2016-17		32,485,162
Local Income - FY 2017-18		8,986,521
Federal Income - FY 2014-15		1,752,450
Transfers In (Reimbursements) - Other Financing Sources (OFS) FY 2005-06 through FY 2016-17		979,167,492
Transfers In (Reimbursements) - OFS FY 2017-18		15,367,728
Total Sources of Funds, June 30, 2018	$	4,905,605,212
Uses of Funds (Expenditures) from Inception through June 30, 2018		(4,761,385,022)
Fund Balance, June 30, 2018	**$**	**144,220,190**

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, 2018
(Unaudited)

Cost Category	Adjusted Budget	Actual Expenditures Incurred: March 2, 2004 (Inception) through June 30, 2017	Actual Expenditures Incurred: Expenditure Year Ended June 30, 2018	Actual Expenditures Incurred: Total Expenditure through June 30, 2018	Unexpended Balance
Facilities Services Division (FSD)					
Capital Programs					
New Construction	$ 1,865,187,301	$ 1,797,142,026	$ 1,723,291	$ 1,798,865,317	$ 66,321,984
School Modernization	1,903,067,142	1,816,352,483	42,195,521	1,858,548,004	44,519,138
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	79,704,584	1,907,354	81,611,938	12,583,671
Charter Schools	71,885,324	62,528,336	6,435,017	68,963,353	2,921,971
Indirects	213,307,767	212,047,778	1,133,079	213,180,857	126,910
Total FSD Capital Programs	4,172,671,698	3,992,352,371	53,394,262	4,045,746,633	126,925,065
Information Technology Division (ITD)					
Capital Programs					
Classroom Technology Modernization	151,301,211	146,675,410	4,340,254	151,015,664	285,547
School Network Modernization	256,921,326	224,982,538	20,649,577	245,632,115	11,289,211
Safety, Communications and Security Modernization	5,833,743	1,864,969	3,841,954	5,706,923	126,820
My Integrated Student Information System	53,491,015	48,412,705	2,919,022	51,331,727	2,159,288
Disaster Recovery & Business Continuity	22,375,863	21,165,456	169,611	21,335,067	1,040,796
Total ITD Capital Programs	489,923,158	443,101,078	31,920,418	475,021,496	14,901,662
Library Services	53,000,000	50,476,681	396,266	50,872,947	2,127,053
Total Library Services	53,000,000	50,476,681	396,266	50,872,947	2,127,053
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	10,000,000	-	10,000,000	-
Total Other Costs	33,646,165	33,385,043	-	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	**$ 4,905,605,212**	**$ 4,675,674,076**	**$ 85,710,946**	**$ 4,761,385,022**	**$ 144,220,190**

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, 2018
(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, 2018.

(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 March 2, 2004 (inception) through June 30, 2017 and FY 2017-18 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, 2018, 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, 2018 column.

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 Classification Change

The following projects that were initiated under the Instructional Technology Initiative, formerly Common Core Technology Project, were formerly reported under the Classroom Technology Modernization Program which included the Instructional Technology Initiative are now classified in the ITD SEP under the School Network Modernization Program, Core Network Modernization:

- Email/Collaboration System
- Identity Management System
- Infrastructure Monitoring & Management Tools

As a result of the change, total prior year expenditures in the amount of $8,291,458 was reclassified from Classroom Technology Modernization into School Network Modernization for the Adjusted Budget and the Actual Expenditures Incurred from March 2, 2004 (Inception) through June 30, 2017. Expenditures incurred in the current year in the amount of $292,907 were classified in accordance with the change noted above.

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, 2018 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.

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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, 2018 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, 2018 (Supplementary Schedules), are presented for purposes of additional analysis, and are not a required part of the statement of bond expenditures.

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

Simpson & Simpson

Los Angeles, California
February 19, 2019

LOS ANGELES UNIFIED SCHOOL DISTRICT
MEASURE Y SCHOOL BOND CONSTRUCTION PROGRAM
Statement of Bond Expenditures
Year Ended June 30, 2018

Cost Category	2018
Facilities Services Division (FSD) Capital Programs	
New Construction	$ 6,499,657
School Modernization	53,703,240
Information Technology Network Upgrade	178,979
Adult and Career Education	437,995
Charter Schools	10,642,483
Indirects	(979,406)
Total FSD Capital Programs	70,482,948
Information Technology Division (ITD) Capital Programs	
School Network Modernization	3,148,587
Safety, Communications and Security Modernization	239,355
Total ITD Capital Programs	3,387,942
Transportation (Buses)	(8,916)
Total Transportation (Buses)	(8,916)
Library Services	518,890
Total Library Services	518,890
Other Costs	
Cost of Issuance	67,889
Office of Bond Compliance	(2,000)
Office of the Inspector General	2,548,498
Total Other Costs	2,614,387
Total Expenditures, June 30, 2018	**$ 76,995,251**

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, 2018

(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. $3.73 billion has since been issued between November 2005 and June 2018. 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.

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, 2018, 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.

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, 2018
(Unaudited)

Sources of Funds from Inception through June 30, 2018:	
Bonds Issued - FY 2005-06 through FY 2016-17	$ 3,602,850,000
Bond Issued - FY 2017-18	130,000,000
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 2016-17	100,472,961
Interest Income - FY 2017-18	562,990
Local Income - FY 2007-08 through FY 2015-16	37,038,000
Transfers In (Reimbursements) - Other Financing Sources (OFS) FY 2005-06 through FY 2016-17	499,252,553
Transfers In (Reimbursements) - OFS FY 2017-18	15,984,200
Total Sources of Funds, June 30, 2018	$ 4,392,108,093
Uses of Funds (Expenditures) from Inception through June 30, 2018	(4,325,919,739)
Fund Balance, June 30, 2018	**$ 66,188,354**

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.

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, 2018
(Unaudited)

Cost Category	Adjusted Budget	Actual Expenditures Incurred: November 8, 2005 (Inception) through June 30, 2017	Actual Expenditures Incurred: Expenditure Year Ended June 30, 2018	Actual Expenditures Incurred: Total Expenditure through June 30, 2018	Unexpended / Over-expended Balance
Facilities Services Division (FSD)					
New Construction	$ 2,364,933,391	$ 2,337,843,241	$ 6,499,657	$ 2,344,342,898	$ 20,590,493
School Modernization	1,039,620,177	973,232,632	53,703,240	1,026,935,872	12,684,305
Information Technology Network Upgrade	165,294,210	163,694,210	178,979	163,873,189	1,421,021
Adult and Career Education	70,485,965	66,838,038	437,995	67,276,033	3,209,932
Early Childhood Education	32,000,000	31,784,833	-	31,784,833	215,167
Charter Schools	50,000,000	36,645,644	10,642,483	47,288,127	2,711,873
Indirects	17,196,022	17,190,708	(979,406)	16,211,302	984,720
Total FSD Capital Programs	3,739,529,765	3,627,229,306	70,482,948	3,697,712,254	41,817,511
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	120,725,656	3,148,587	123,874,243	9,317,861
Safety, Communications and Security Modernization	30,316,963	19,851,695	239,355	20,091,050	10,225,913
Total ITD Capital Programs	186,097,163	160,782,421	3,387,942	164,170,363	21,926,800
Transportation (Buses)	25,000,000	23,657,353	(8,916)	23,648,437	1,351,563
Total Transportation (Buses)	25,000,000	23,657,353	(8,916)	23,648,437	1,351,563
Library Services	5,000,000	3,390,647	518,890	3,909,537	1,090,463
Total Library Services	5,000,000	3,390,647	518,890	3,909,537	1,090,463
Other Costs					
Employee Benefits and Other Post-Employment Benefits (OPEB)	25,280,723	25,280,723	-	25,280,723	-
Cost of Issuance	8,553,710	8,485,821	67,889	8,553,710	-
Office of Bond Compliance	2,157,766	2,157,766	(2,000)	2,155,766	2,000
Office of Inspector General	17,000,000	14,451,485	2,548,498	16,999,983	17
Total Other Costs	52,992,199	50,375,795	2,614,387	52,990,182	2,017
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	383,488,966	383,488,966	-	383,488,966	-
Total Measure Y Bond Expenditures	**$ 4,392,108,093**	**$ 4,248,924,488**	**$ 76,995,251**	**$ 4,325,919,739**	**$ 66,188,354**

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, 2018
(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, 2018.

(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, 2017 and FY 2017-18 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, 2018, adjusted by discounts received from the vendors. The actual expenditure amounts included expenditures of bond proceeds, reimbursements of bond proceeds, and interest earned on the bond proceeds and reimbursements.

c) Unexpended Balance

The amounts included within the fund balance column in the accompanying unaudited supplementary schedule of bond expenditures from inception represent the difference between the adjusted budget column and the total expenditures through June 30, 2018 column.

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.

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, 2018 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.

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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, 2018 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, 2018 (Supplementary Schedules), are presented for purposes of additional analysis, and are not a required part of the statement of bond expenditures.

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

Simpson & Simpson

Los Angeles, California
February 19, 2019

LOS ANGELES UNIFIED SCHOOL DISTRICT
MEASURE Q SCHOOL BOND CONSTRUCTION PROGRAM
Statement of Bond Expenditures
Year Ended June 30, 2018

Cost Category	2018
Facilities Services Division (FSD) Capital Programs	
School Modernization	$ 305,543,183
Adult and Career Education	4,650,224
Early Childhood Education	1,213,631
Charter Schools	4,797,320
Indirects	107,753,614
Total FSD Capital Programs	423,957,972
Information Technology Division (ITD) Capital Programs	
Classroom Technology Modernization	4,427,214
School Network Modernization	842,070
My Integrated Student Information System	21,713,337
Cafeteria Management System (CMS) - Point of Sale (POS) Technology Upgrade	1,028,191
Disaster Recovery & Business Continuity	4,601,436
Enterprise Software Systems	10,460,901
Total ITD Capital Programs	43,073,149
Other Costs	
Cost of Issuance	637,111
Office of Bond Compliance	1,135,962
Office of the Inspector General	3,362,837
Total Other Costs	5,135,910
Other Financing Uses	
Transfers Out to General Fund - Transportation (Buses)	13,176,515
Total Other Financing Uses	13,176,515
Total Expenditures and Other Uses, June 30, 2018	**$ 485,343,546**

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, 2018

(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. $1.87 billion has since been issued between November 2008 and June 2018. 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.

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, 2018, 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.

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, 2018
(Unaudited)

Sources of Funds from Inception through June 30, 2018:	
Bonds Issued - FY 2015-16	$ 648,955,000
Bonds Issued - FY 2017-18	1,220,000,000
Local Income - FY 2015-16	1,196,948
Interest Income - FY 2005-06 through FY 2016-17	4,184,136
Interest Income - FY2017-18	7,793,916
Transfers In (Reimbursements) - Other Financing Sources (OFS) FY 2016-17	412,253
Transfers In (Reimbursements) OFS FY 2017-18	13,893,332
Total Sources of Funds, June 30, 2018	$ 1,896,435,585
Uses of Funds (Expenditures) from Inception through June 30, 2018	(926,351,842)
Fund Balance, June 30, 2018	**$ 970,083,743**

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, 2018
(Unaudited)

Cost Category	Adjusted Budget	Actual Expenditures Incurred: November 4, 2008 (Inception) through June 30, 2017	Actual Expenditures Incurred: Expenditure Year Ended June 30, 2018	Actual Expenditures Incurred: Total Expenditure through June 30, 2018	Unexpended Balance
Facilities Services Division (FSD)					
School Modernization	$ 1,318,148,537	$ 148,142,188	$ 305,543,183	$ 453,685,371	$ 864,463,166
Adult and Career Education	5,192,635	542,411	4,650,224	5,192,635	-
Early Childhood Education	2,365,496	1,151,865	1,213,631	2,365,496	-
Charter Schools	4,955,282	157,962	4,797,320	4,955,282	-
Indirects	241,620,099	133,866,160	107,753,614	241,619,774	325
Total FSD Capital Programs	1,572,282,049	283,860,586	423,957,972	707,818,558.00	864,463,491
Information Technology Division (ITD)					
Classroom Technology Modernization	25,356,000	2,653,990	4,427,214	7,081,204	18,274,796
School Network Modernization	8,540,696	1,684,196	842,070	2,526,266	6,014,430
My Integrated Student Information System	119,971,097	88,632,502	21,713,337	110,345,839	9,625,258
Cafeteria Management System (CMS) - Point of Sale (POS) Technology Upgrade	6,300,000	3,793,165	1,028,191	4,821,356	1,478,644
Disaster Recovery & Business Continuity	47,878,366	24,695,150	4,601,436	29,296,586	18,581,780
Enterprise Software Systems	36,679,000	-	10,460,901	10,460,901	26,218,099
Total ITD Capital Programs	244,725,159	121,459,003	43,073,149	164,532,152	80,193,007
Other Costs					
Cost of Issuance	1,156,246	519,135	637,111	1,156,246	-
Office of Bond Compliance	12,740,237	1,107,269	1,135,962	2,243,231	10,497,006
Office of Inspector General	12,548,514	3,578,923	3,362,837	6,941,760	5,606,754
Total Other Costs	26,444,997	5,205,327	5,135,910	10,341,237	16,103,760
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 - Transportation (Buses)	22,500,000	-	13,176,515	13,176,515	9,323,485
Transfers Out to General Fund - Routine Restricted General Maintenance (RRGM)	30,000,000	30,000,000	-	30,000,000	-
Total Other Financing Uses	52,983,380	30,483,380	13,176,515	43,659,895	9,323,485
Total Measure Q Bond Expenditures	**$ 1,896,435,585**	**$ 441,008,296**	**$ 485,343,546**	**$ 926,351,842**	**$ 970,083,743**

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, 2018
(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, 2018.

(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, 2017 and FY 2017-18 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, 2018, 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, 2018 column.

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.

(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.