

**PRESENTATION**  
**to the**  
**LAUSD BOARD OF EDUCATION**  
**OF THE**  
**AUDITED ANNUAL FINANCIAL REPORT (AAFR)**  
**JUNE 30, 2024**



January 14, 2025



SIMPSON & SIMPSON  
CERTIFIED  
PUBLIC ACCOUNTANTS



# ***Introduction & Purpose Statement***

- ❑ EC 41020 provides that each school district shall arrange for an audit by an independent certified public accountant. Responsibility for both the accuracy and the presented data and the completeness and fairness of the presentation rests with the District.
  - ❑ The District's independent contract auditor for FY 2023-24 is Simpson & Simpson, CPAs.
- ❑ All disclosures necessary to enable a reader to gain an understanding of the District's financial activities have been included. This report includes all funds of the District except for the fiscally independent charter schools, which are required to submit their own individual audited financial statements.

## ***Statement on Auditing Standards (SAS) 114:***

- ❑ This letter is provided to ensure that you, the District's governing body, receive sufficient information regarding the scope and results of the audit to provide you with timely observations arising from the audit that are relevant to your responsibilities in overseeing the financial reporting process for which management is responsible.



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# ***AGENDA***

1. Auditor's Responsibility
2. Auditor's Executive Summary
  - Audited Annual Financial Report (AAFR)
  - Financial Statement Audit Results
  - AAFR Federal Compliance Audit Results
  - AAFR State Compliance Audit Results
3. Audit Results
4. Questions and Answers
5. Appendix
  - ❑ *Appendix A - Auditor's Required Communications (SAS 114)*
  - ❑ *Appendix B – AAFR Financial Statement Audit, Federal Compliance Audit, & State Compliance Audit Results.*
  - ❑ *Appendix C – Financial Highlights*





# ***1. Auditor's Responsibility***

***Under Generally Accepted Auditing Standards (GAAS), Auditors have the following responsibilities:***

- ☐ Design and implement audit procedures based on our understanding of LAUSD to gain reasonable, not absolute, assurance as to the absence of material misstatements in the financial statements.
- ☐ Consider internal control to the extent necessary to design an effective and efficient audit approach, not for the purpose of providing assurance on internal control.
- ☐ Perform tests of its compliance with certain provisions of laws, regulations, and contracts, noncompliance with which could have a direct and material effect on determining financial statement amounts.
- ☐ Opinion on financial statements based on our audit.





## ***2. Auditor's Executive Summary***

For the Fiscal Year 2023-24, the Board of Education (BOE) adopted a \$18.8B budget, covering 21 funds. Simpson and Simpson, CPA (S&S) is responsible for opining that the District's Financial Statements are presented fairly, in all material respects, in conformity with generally accepted accounting principles.

S&S has issued unmodified (clean) opinions over the District's Financial Statement, Federal Compliance, and State Compliance Audits.

### ***Financial Statement Audit***

- S&S identified one significant deficiency of internal control over financial reporting, which did not lead to monetary consequences.
- S&S identified no instances of noncompliance or other matters noted.
- S&S identified 4 areas of continued improvement in internal controls.

### ***Federal Compliance Audit***

- S&S audited 7 major programs and identified no instances of noncompliance and internal control over compliance.

### ***State Compliance Audit***

- S&S audited a total of 30 compliance procedures.
- S&S identified 13 types of noncompliance.



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## 3. *Audit Results*

- ❑ S&S is responsible for forming and expressing an opinion about whether LAUSD's financial statements, prepared by LAUSD's management with the oversight of LAUSD's BOE, are presented fairly, in all material respects, in conformity with generally accepted accounting principles.
- ❑ **Results** – S&S has issued an Unmodified opinion with respect to the governmental activities, each major fund, and the aggregate remaining “non-major” governmental funds.
- ❑ An Unmodified opinion means S&S has concluded that LAUSD's financial statements are presented fairly, in all material respects, in accordance with generally accepted accounting principles.



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# ***4. Questions & Answers***





# Thank You



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# *5. Appendix*





# *Appendix A*

## **Auditor's Required Communications (SAS 114)**





# ***Auditor's Required Communications (SAS 114)***

## ***1. Significant Accounting Policies***

- ❑ LAUSD's significant accounting policies are described in Note 1 to the financial statements. As part of our responsibility, S&S determined that these significant accounting policies are in accordance with generally accepted accounting principles and consistent with industry practices and standards, and have remained unchanged from the prior year.





# ***Auditor's Required Communications (SAS 114)***

## **1. Significant Accounting Policies (Continued)**

- ☐ LAUSD is in the 7<sup>th</sup> year of adopting the provisions of GASB 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (other postemployment benefits or OPEB)*.
- ☐ LAUSD is in the 10<sup>th</sup> year of adopting the provisions of GASB 68, *Accounting and Financial Reporting for Pensions – An Amendment of GASB Statement No. 27*, as well as GASB 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date; an amendment of GASB Statement No. 68*
- ☐ All significant transactions have been recognized in the financial statements in the proper period.





# ***Auditor's Required Communications (SAS 114)***

## ***2. Management Judgments and Accounting Estimates***

- ☐ Accounting estimates are an integral part of the financial statements prepared by management and are based upon management's current judgments. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ from management's current judgments.
- ☐ The most sensitive estimates affecting the financial statements were:





# ***Auditor's Required Communications (SAS 114)***

## ***2. Management Judgments and Accounting Estimates (Continued)***

- Estimates of deferred outflows/inflows of resources, net pension liability, net OPEB liability, pension expense, and OPEB expense. These estimates are prepared by the CalPERS & CalSTRS actuaries and AON based on the information provided by participating employers.
- Reserves for loss adjustment expenses and incurred but not reported claims for worker's compensation, general liability, and health and welfare benefits, prepared by external claims administrator based on information from management.





# ***Auditor's Required Communications (SAS 114)***

## ***2. Management Judgments and Accounting Estimates (Continued)***

- Other liabilities for legal claims.
- Useful life of capital assets used for depreciation.
- ❑ As part of our responsibility, S&S evaluated the methods, assumptions, and data used to develop the accounting estimation of the above to determine that they were reasonable in relation to the financial statements taken as a whole.

## ***3. Corrected Misstatements***

- ❑ All proposed audit adjustments were booked.
- ❑ One material corrected misstatement: 2024A Refunding Bonds





# ***Auditor's Required Communications (SAS 114)***

## ***4. Uncorrected Misstatements***

- ☐ The effects of the uncorrected misstatements of the financial statements have been determined to be immaterial, both individually and in the aggregate, to the financial statements taken as a whole.
- ☐ Schedule of summarized immaterial uncorrected misstatements has been provided with the SAS 114 letter.

## ***5. No Disagreements or Difficulties with Management***

- ☐ There were no disagreements with management on financial accounting and reporting matters that, if not satisfactorily resolved, would have caused a modification of our report on LAUSD's financial statements, nor were there significant difficulties in dealing with management in performing our audit.



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# ***Auditor's Required Communications (SAS 114)***

## ***7. No Consultations with Other Accountants***

- ☐ To the best of our knowledge, management has not consulted with or obtained opinions, written or oral, from other independent accountants during the past year that were subject to the requirements of AU 625, Reports on the Application of Accounting Principles.

## ***8. Management Representations***

- ☐ S&S has requested certain representations from management that are included in the management representation letter dated December 16, 2024.





# ***Appendix B***

## **AAFR Financial Statement Audit, Federal Compliance Audit, & State Compliance Audit Results**



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# ***1. AAFR Financial Statement Audit Results***

## ***A. Government Auditing Standards Opinion***

- ❑ Internal Control Over Financial Reporting
  - One significant deficiency identified (*AAFR Pages 156-169*):
    - FS-2024-001 - Vulnerability Management (significant deficiency)
    - The District has prepared a corrective action plan to prevent such occurrences.
- ❑ Compliance and Other Matters
  - No instances of noncompliance or other matters noted





# ***1. AAFR Financial Statement Audit Results***

## ***B. Areas Brought to Management's Attention***

- ☐ The management letter is to provide observations during the audit in areas where the internal control procedures can be strengthened.
- ☐ The 4 comments were discussed with the individual departments who have agreed to our recommendations and provided management responses for improvements (*AAFR Pages 250-260*)
  - ☐ *ML-2024-001* – Colin User Access
  - ☐ *ML-2024-002* – Maximo User Access
  - ☐ *ML-2024-003* – Annual Form 700
  - ☐ *ML-2024-004* – Procurement of Professional Service Contracts





## ***2. AAFR Federal Compliance Audit Results***

### ***Federal Compliance Audit Opinion***

- ❑ 7 major programs audited (unmodified opinion) (*AAFR Pages 154-155*)
- ❑ No instances of noncompliance and internal control over compliance





# 3. AAFR State Compliance Audit Results

## State Compliance Audit Opinion

- ❑ A total of 30 compliance areas were audited (*AAFR Pages 151-152*)
  - Unmodified opinion
- ❑ Summary of Audit Findings - 13 types of noncompliance were identified (*AAFR Pages 171-233*)
  1. S-2024-001 - Regular and Special Day Classes – Attendance Computations
  2. S-2024-002 - Teacher Certification and Misassignments
  3. S-2024-003 - Kindergarten Continuance
  4. S-2024-004 - Independent Study – Attendance Computations
  5. S-2024-005 - Classroom Teacher Salaries
  6. S-2024-006 – Proposition 28 Arts and Music in Schools
  7. S-2024-007 - After School Education and Safety Program
  8. S-2024-008 - Unduplicated Local Control Funding Formula Pupil Counts
  9. S-2024-009- Immunizations
  10. S-2024-010 - Expanded Learning Opportunities Grant
  11. S-2024-011 – Expanded Learning Opportunities Program
  12. S-2024-012 - Transitional Kindergarten
  13. S-2024-013 - Dependent Charters – Attendance Computations





# ***Appendix C***

## ***Financial Highlights***



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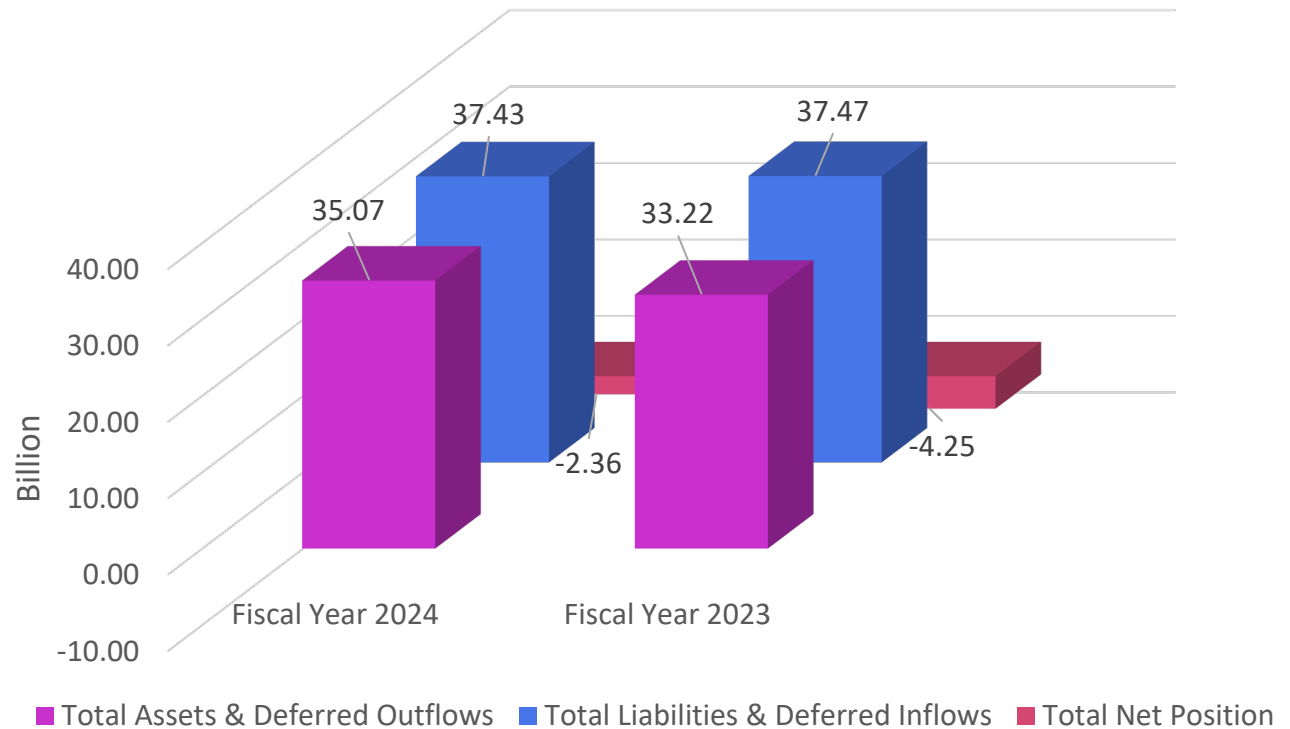


# Financial Highlights

## Financial Highlights

### i. Government-Wide Financial Statements

Statement of Net Position (in billions)







# ***Financial Highlights***

## ***Financial Highlights (continued)***

### ***i. Government-Wide Financial Statements (continued)***

- ❑ Capital assets increased by \$567 million due to comprehensive and major modernization projects, heating, ventilation, and air conditioning (HVAC) projects, improvements at school sites, Cyber and Campus Security projects, School Network System Upgrades, and increase in subscription assets.
- ❑ Long-term obligations increased by \$1.8 billion, resulting primarily due to issuance of new Certificates of Participation (COPs), GO Bonds and changes in actuarial assumptions for self-insurance claims.



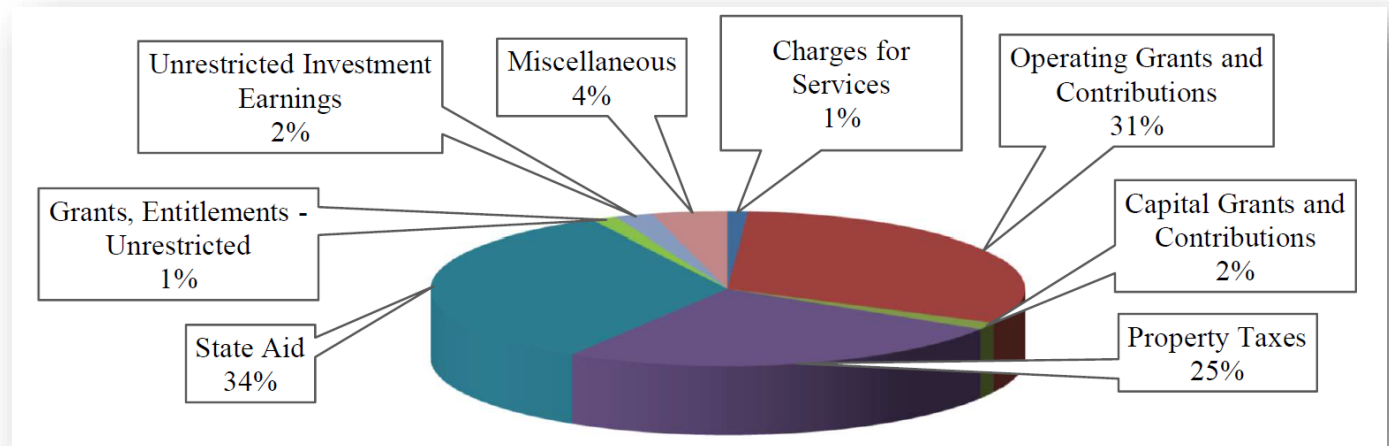


# Financial Highlights

## Financial Highlights (continued)

### i. Government-Wide Financial Statements (continued)

- ❑ Total Revenues as of June 30, 2024, amounted to \$13.6B, and are broken down into the following sources:



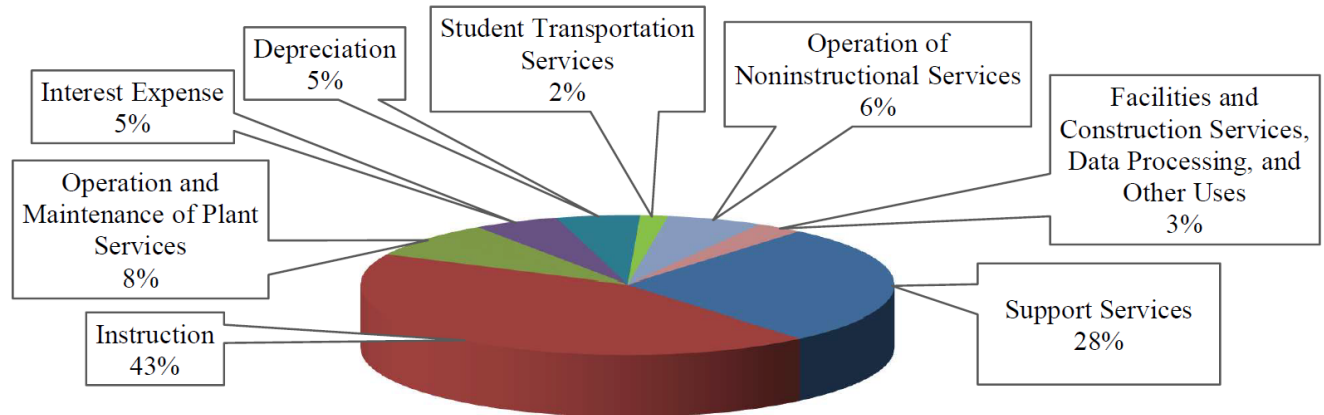


# Financial Highlights

## Financial Highlights (continued)

### i. Government-Wide Financial Statements (continued)

- ❑ Total Expenses as of June 30, 2024, amounted to \$11.7B, and are broken down into the following categories:



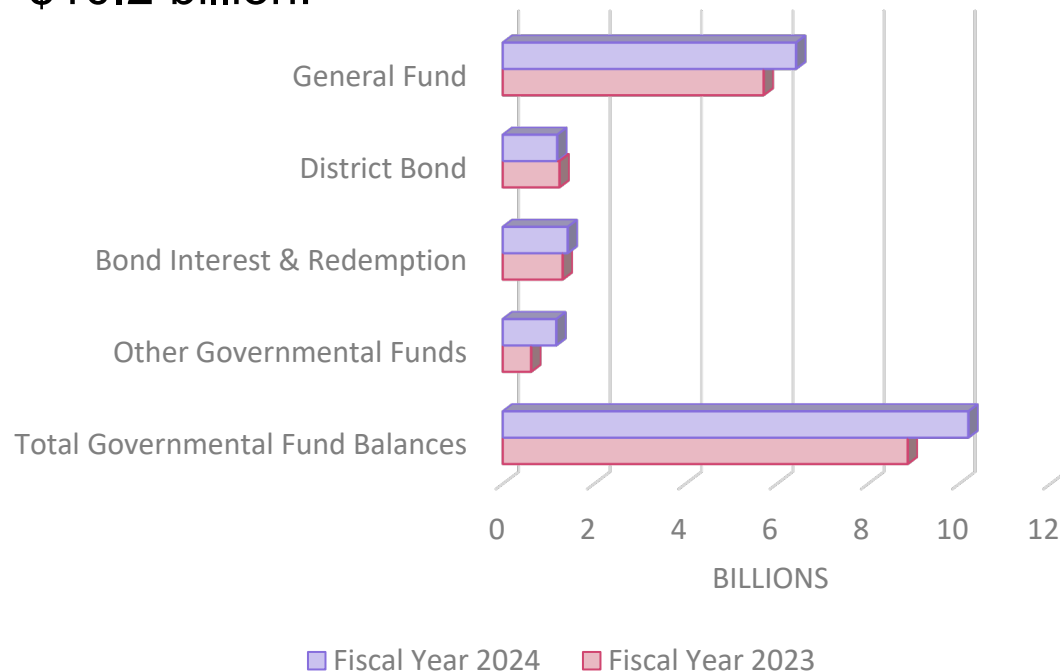


# Financial Highlights

## *Financial Highlights (continued)*

### *ii. Governmental Funds Financial Statements*

- Governmental combined fund balances as of June 30, 2024, increased from last year by \$1.3 billion to \$10.2 billion:



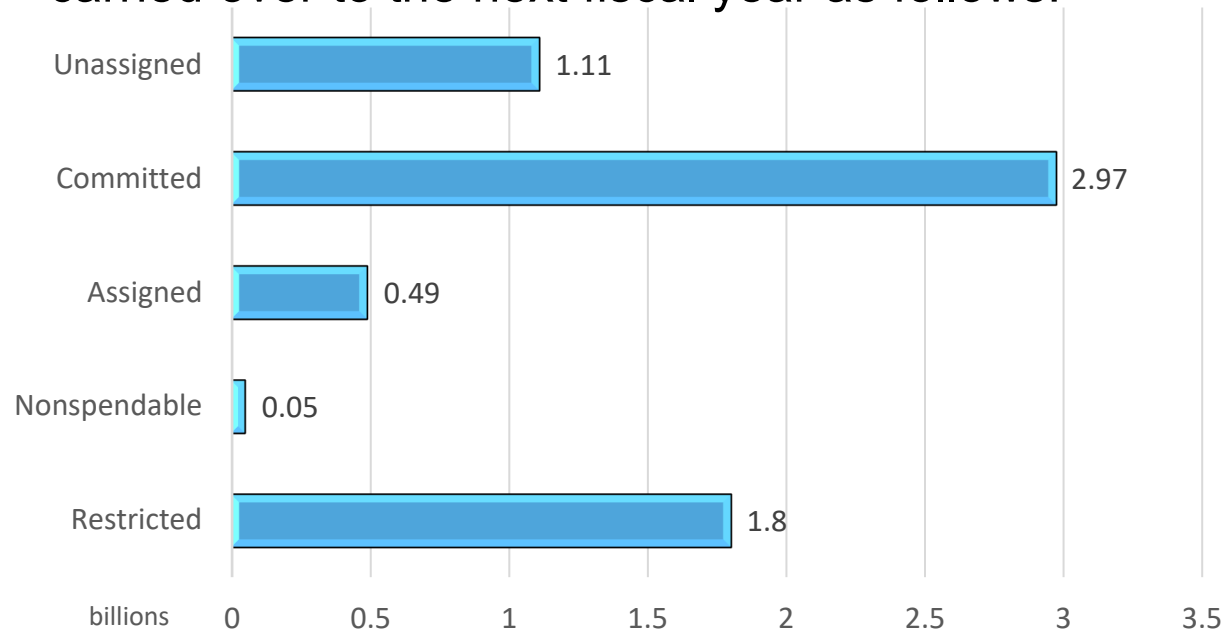


# Financial Highlights

## ***Financial Highlights (continued)***

### ***ii. Governmental Funds Financial Statements (continued)***

- ❑ The General Fund accounts for all the District's educational activities and general business operations. The ending fund balance of \$6.4 billion is carried over to the next fiscal year as follows:



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