

PRESENTATION to the LAUSD BOARD OF EDUCATION COMMITTEE OF THE WHOLE



April 26, 2021



SIMPSON & SIMPSON
CERTIFIED
PUBLIC ACCOUNTANTS



AGENDA

- ❑ Introduction & Purpose Statement
- ❑ Auditor's Required Communication (SAS 114)
- ❑ Results and Highlights of the Audited Annual Financial Report (AAFR).
- ❑ Audit Results and Highlights of the Federal Compliance Audit
- ❑ Audit Results and Highlights of the State Compliance Audit
- ❑ Highlights of Letter to Management
- ❑ Questions and Answers





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 FY2019-20 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 with the exception of the fiscally independent charter schools which are required to submit their own individual audited financial statements.

Statement on Auditing Standards (SAS) 114:

- ❑ This report is provided to ensure those charged with governance receive sufficient information regarding the scope and results of the audit in order to provide them with timely observations arising from the audit that are relevant to their responsibilities in overseeing the financial reporting process for which management is responsible.





Auditor's Required Communication SAS 114

1. Our Responsibility under Generally Accepted Auditing Standards (GAAS)

- 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 the determination of financial statement amounts.
- Opinion on financial statements based on our audit.





Auditor's Required Communication SAS 114

2. Significant Accounting Policies

- ❑ LAUSD's significant accounting policies are described in Note 1 to the financial statements and are in accordance with generally accepted accounting principles and consistent with industry practices and standards.
- ❑ LAUSD is currently in the 3rd year of adopting the provisions of GASB 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (other postemployment benefits or OPEB)*.





Auditor's Required Communication SAS 114

2. Significant Accounting Policies (Continued)

- LAUSD is currently in the 6th 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
- The application of existing policies was not changed during the year.
- All significant transactions have been recognized in the financial statements in the proper period.





Auditor's Required Communication SAS 114

3. 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 Communication SAS 114

3. 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 & welfare benefits, prepared by external claims administrator based on information from management.





Auditor's Required Communication SAS 114

3. *Management Judgments and Accounting Estimates (Continued)*

- Other liabilities for legal claims.
- Useful life of capital assets used for depreciation.
- ❑ We evaluated the key factors and assumptions used to develop the accounting estimation of the above in determining that they were reasonable in relation to the financial statements taken as a whole.

4. *Corrected Misstatements*

- ❑ All material proposed audit adjustments were booked.





Auditor's Required Communication SAS 114

5. 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 have been provided with the SAS 114 letter.

6. 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.





Auditor's Required Communication 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

- We have requested certain representations from management that are included in the management representation letter dated March 24, 2021.





Results and Highlights of the AAFR

1. Unmodified Opinion

- Unmodified opinion with respect to the governmental activities, each major fund, and the aggregate remaining “non-major” governmental funds.

2. Financial Highlights

- Government-Wide Financial Statements***
- Governmental Fund Financial Statements***



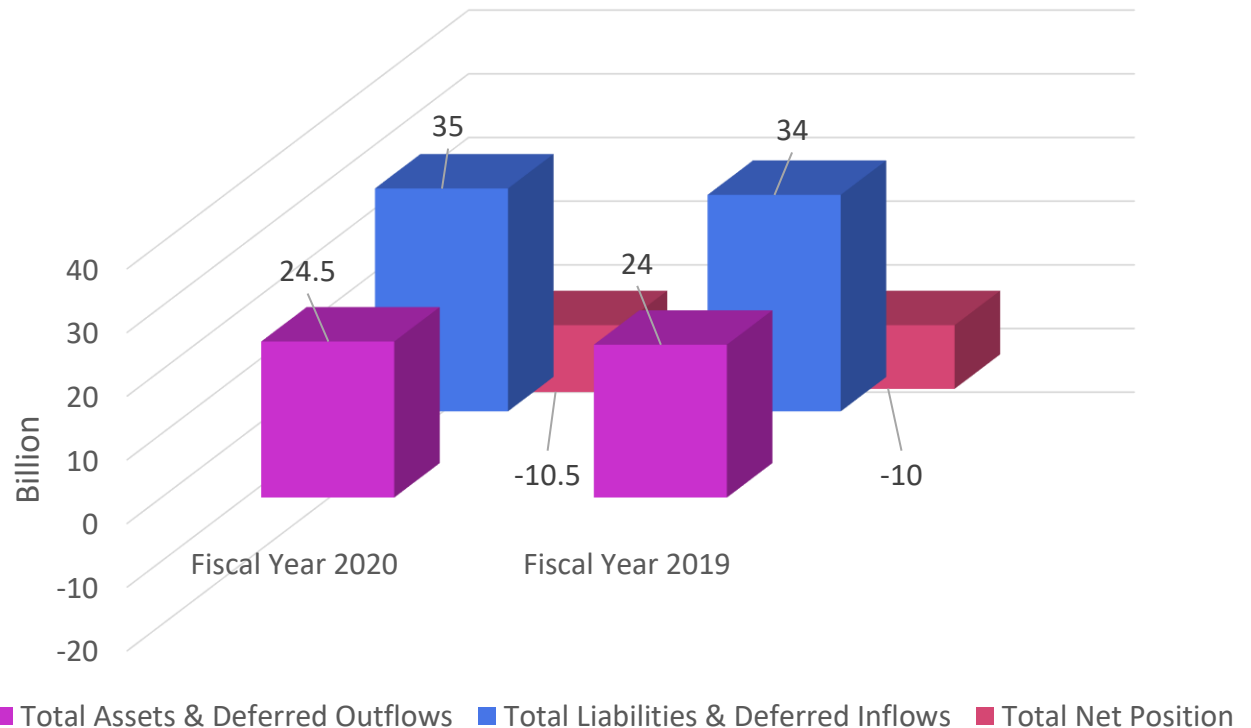


Results and Highlights of the AAFR

2. Financial Highlights (continued)

A. Government-Wide Financial Statements (continued)

Statement of Net Position (in billions)





Results and Highlights of the AAFR

2. Financial Highlights (continued)

A. Government-Wide Financial Statements (continued)

- ❑ Capital assets increased by \$369 million, due to various Americans with Disabilities Act (ADA) improvements, seismic, heating, ventilation, and air conditioning (HVAC), telecommunication and technology modernization, and comprehensive modernization projects at school sites.
- ❑ Long term obligations increased by \$572 million, resulting primarily from the issuance of General Obligation bonds offset with debt service payments of General Obligation bonds and Certificates of Participation (COPs).



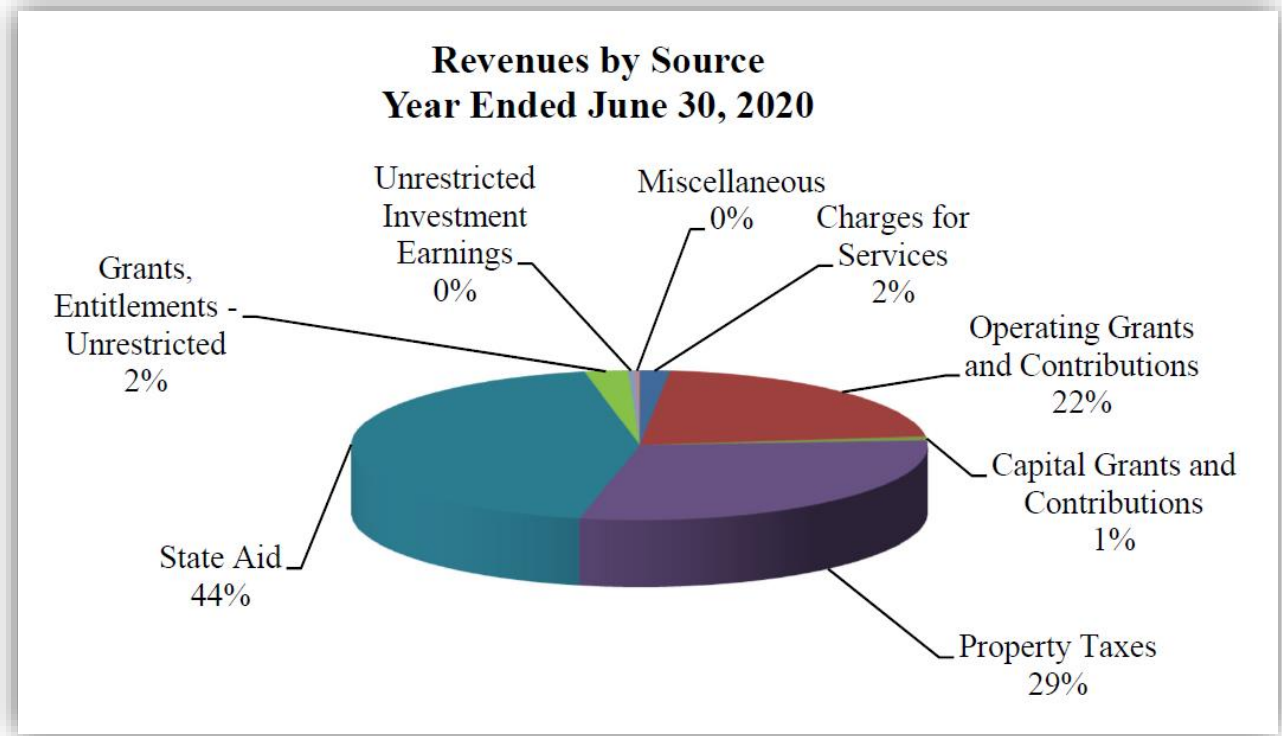


Results and Highlights of the AAFR

2. Financial Highlights (continued)

A. Government-Wide Financial Statements (continued)

- Total Revenues as of June 30, 2020, amounted to \$9.1B, and are broken down into the following sources:



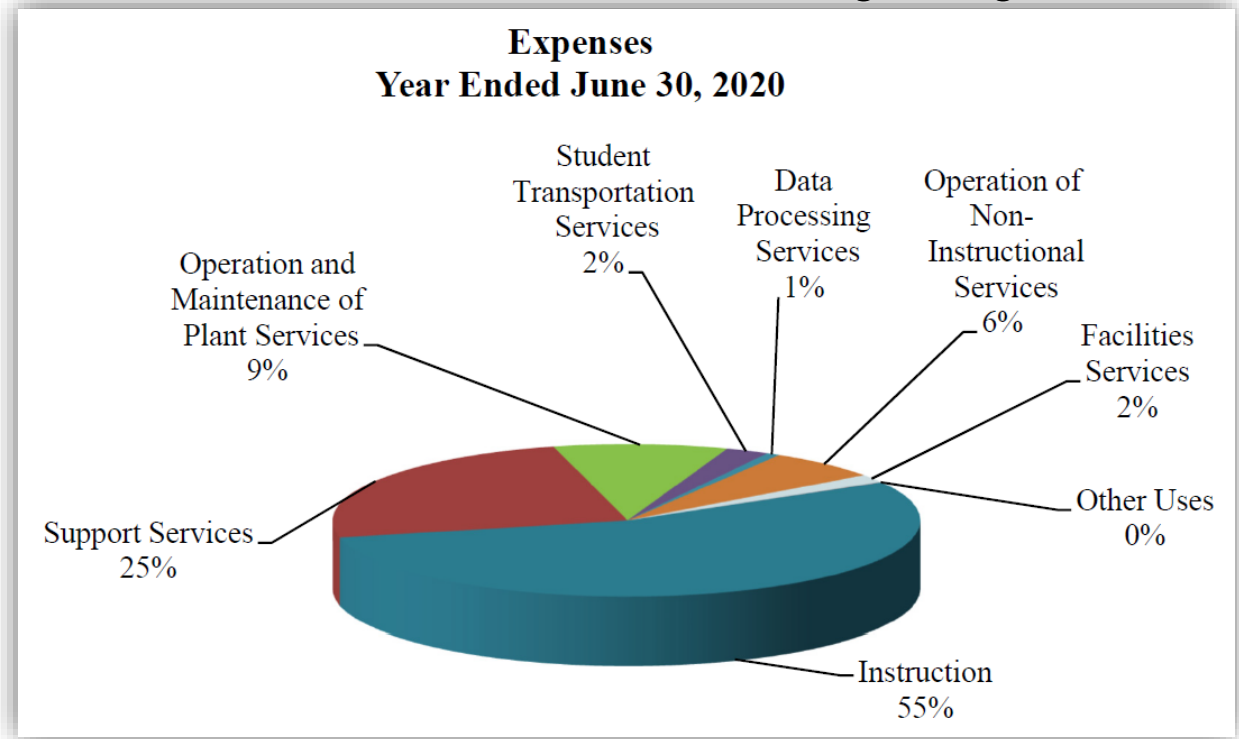


Results and Highlights of the AAFR

2. Financial Highlights (continued)

A. Government-Wide Financial Statements (continued)

- Total Expenses as of June 30, 2020, amounted to \$9.3B, and are broken down into the following categories:



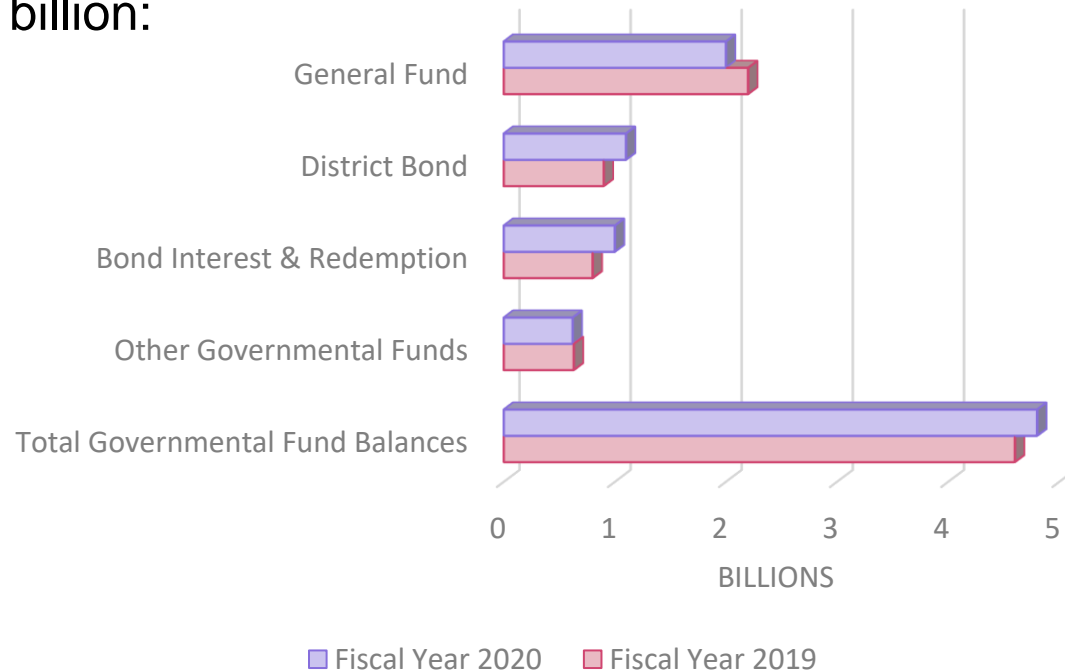


Results and Highlights of the AAFR

2 . Financial Highlights (continued)

B. Governmental Funds Financial Statements

- Governmental combined fund balances as of June 30, 2020 increased from last year by \$161 million to \$4.8 billion:





Results and Highlights of the AAFR

2. Financial Highlights (continued)

B. Governmental Funds Financial Statements (continued)

- ❑ The District has 20 individual governmental funds. These funds assist in accounting for resources for special activities and objectives, i.e. special revenue funds, debt service funds, bond funds, etc. The combined fund balance represents amounts to be carried over to the next fiscal year.
- ❑ The General Fund accounts for all educational activities and general business operations of the District. The ending fund balance of \$2,049.5 million is carried over to the next fiscal year. Of this amount \$103.9 million was restricted, \$37.7 million was nonspendable, \$87.6 million was committed, and the remaining \$1,248.9 million was assigned and \$571.4 million was unassigned, including reserve for economic uncertainties of \$79 million.





Results and Highlights of the AAFR

3. Government Auditing Standards Opinion

- ❑ Internal Control Over Financial Reporting
 - No material weakness
 - No significant deficiencies

- ❑ Compliance and Other Matters
 - No instances of noncompliance or other matters noted





Results and Highlights of the Federal Compliance Audit

Federal Compliance Audit Opinion

- Nine major programs audited
 - Eight programs – unmodified opinion
 - One program – qualified opinion
 - F-2020-002 - Workforce Innovation and Opportunity Act (WIOA) – *Earmarking*.
 - The District has prepared a corrective action plan to prevent the occurrence of noncompliance in the future.





Results and Highlights of the Federal Compliance Audit

Federal Compliance Audit Opinion (continued)

- Summary of Audit Findings
 - Three types of noncompliance and internal control over compliance were identified
 - F-2020-001 – Coronavirus Relief Fund – *Activities Allowed or Unallowed/Allowable Costs and Cost Principles.*
 - F-2020-002 - Workforce Innovation and Opportunity Act (WIOA) – *Earmarking.*
 - F-2020-003 – Title I Grants to Local Educational Agencies – *Special Tests – Annual Report Card, High School Graduation Rate.*





Results and Highlights of the State Compliance Audit

State Compliance Audit Opinion

- ❑ Over one hundred procedures performed
 - Unmodified opinion

- ❑ Summary of Audit Findings
 - Nine types of noncompliance were identified
 1. S-2020-001 - Regular and Special Day Classes - Attendance Computations
 2. S-2020-002 - Teacher Certification and Misassignments
 3. S-2020-003 - Kindergarten Continuance
 4. S-2020-004 - Independent Study
 5. S-2020-005 - Continuation Education
 6. S-2020-006 - Ratio of Administrative Employees to Teachers
 7. S-2020-007 - After School Education and Safety Program
 8. S-2020-008 - Unduplicated Local Control Funding Formula Pupil Counts
 9. S-2020-009 - Dependent Charters – Attendance Computations





Highlights of the Letter to Management

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 comments were discussed with the individual departments who have agreed to our recommendations and provided management responses for improvements.





Questions & Answers





Thank You



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