



LOS ANGELES UNIFIED SCHOOL DISTRICT

Proposition BB School Bond Construction Program

Statement of Project Costs

Period from April 1, 1997 (inception)
through June 30, 2004

(With Independent Auditors' Report Thereon)



KPMG LLP
Suite 2000
355 South Grand Avenue
Los Angeles, CA 90071-1568

Independent Auditors' Report

The Board of Education
Los Angeles Unified School District:

We have audited the accompanying statement of project costs of the Proposition BB School Bond Construction Program of the Los Angeles Unified School District (the District) for the period from April 1, 1997 (inception) through June 30, 2004. Such statement of project costs is the responsibility of the District's management. Our responsibility is to express an opinion on the accompanying statement of project costs 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 of project costs is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the statement of project costs. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the statement of project costs referred to above presents fairly, in all material respects, the project costs of the Proposition BB School Bond Construction Program for the period from April 1, 1997 (inception) through June 30, 2004 in conformity with accounting principles generally accepted in the United States of America.

KPMG LLP

January 7, 2005

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

Statement of Project Costs

Period from April 1, 1997 (inception) through June 30, 2004

		Actual costs incurred			
	Adjusted budget (Unaudited)	April 1, 1997 (inception) through June 30, 2003	Project costs, year ended June 30, 2004	Total project costs, through June 30, 2004	Unspent balance
New facilities:					
New construction:					
Construction	\$ 307,052,920	139,571,242	50,984,136	190,555,378	116,497,542
Tests	1,770,104	1,315,116	454,988	1,770,104	—
Inspection	2,888,270	1,713,648	1,174,622	2,888,270	—
Sites	393,302,242	387,486,943	5,815,299	393,302,242	—
Plans	67,065,667	61,784,372	5,281,295	67,065,667	—
Nonreimbursable cost	899,753	847,097	52,656	899,753	—
Project related salaries – new facilities	6,306,965	595,248	1,232,602	1,827,850	4,479,115
Total new construction	779,285,921	593,313,666	64,995,598	658,309,264	120,976,657
Class size reduction – new facilities share:					
Portables	973,597	—	—	—	973,597
Portables – growth	19,668,030	—	—	—	19,668,030
New schools/centers	24,985,171	7,972,770	348,341	8,321,111	16,664,060
Total class size reduction – new facilities share	45,626,798	7,972,770	348,341	8,321,111	37,305,687
Total new facilities	824,912,719	601,286,436	65,343,939	666,630,375	158,282,344
Existing facilities:					
Repairs/school contracts/health and safety:					
Air conditioning	228,562,870	196,418,235	12,387,596	208,805,831	19,757,039
Bleachers	14,855,820	9,508,584	2,305,343	11,813,927	3,041,893
Safety and technology	314,738,997	180,832,151	115,074,560	295,906,711	18,832,286
Lockers	5,844,241	3,778,706	911,179	4,689,885	1,154,356
Lunch shelters	16,975,770	12,481,854	1,911,555	14,393,409	2,582,361
Security grills	28,062,035	20,264,728	2,520,769	22,785,497	5,276,538
Ventilation replacement	10,978,348	8,233,646	2,590,895	10,824,541	153,807
Auditorium renovations	7,688,404	4,111,802	1,176,941	5,288,743	2,399,661
Lighting	5,828,049	5,451,702	47,596	5,499,298	328,751
Paving	133,943,185	101,186,038	14,035,884	115,221,922	18,721,263
Electrical	19,366,881	7,367,274	1,486,429	8,853,703	10,513,178
Paint	47,187,867	26,006,252	19,682,584	45,688,836	1,499,031
Wall systems	14,040,057	11,086,576	1,899,858	12,986,434	1,053,623
Floor coverings	34,066,713	21,545,087	6,304,288	27,849,375	6,217,338
Locks	785,712	654,593	131,119	785,712	—
Plumbing	70,079,405	47,716,338	11,284,773	59,001,111	11,078,294
Roofing	6,178,050	6,071,382	98,594	6,169,976	8,074
Gutters, etc.	28,475,160	20,316,382	3,949,377	24,265,759	4,209,401
Total repairs contracts/health and safety	987,657,564	683,031,330	197,799,340	880,830,670	106,826,894
Modernization:					
Nonreimbursable cost	66,209	66,209	—	66,209	—
Construction	44,412,591	20,327,331	13,757,202	34,084,533	10,328,058
Test	534,707	533,355	1,352	534,707	—
Inspection	1,887,921	1,868,059	19,862	1,887,921	—
Plans	3,424,656	3,065,375	359,281	3,424,656	—
Total modernization	50,326,084	25,860,329	14,137,697	39,998,026	10,328,058
Class size reduction costs:					
Portables	22,686,111	19,885,915	189,708	20,075,623	2,610,488
Portables – growth	53,966,508	38,029,287	9,608,451	47,637,738	6,328,770
Renovation	1,500,000	540,367	—	540,367	959,633
Opening of closed schools	7,440,129	7,305,848	25,589	7,331,437	108,692
Total class size reduction costs	85,592,748	65,761,417	9,823,748	75,585,165	10,007,583

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Statement of Project Costs

Period from April 1, 1997 (inception) through June 30, 2004

		Actual costs incurred			Unspent balance
		April 1, 1997 (inception) through June 30, 2003	Project costs, year ended June 30, 2004	Total project costs, through June 30, 2004	
	Adjusted budget (Unaudited)				
Other costs:					
School determined needs	\$ 8,348,532	5,388,785	822,403	6,211,188	2,137,344
Board area match program	14,058,258	6,328,793	1,466,107	7,794,900	6,263,358
Program/project managers fees	304,287,845	193,989,205	61,494,430	255,483,635	48,804,210
Hazard mitigation	6,996,696	6,996,635	61	6,996,696	—
Cost of issuance	1,187,067	1,024,215	13,766	1,037,981	149,086
Reprographic and other costs	4,280,000	2,940,260	155,875	3,096,135	1,183,865
Bonds bundling effort	5,792,577	685,704	1,672,634	2,358,338	3,434,239
Project-related salaries	8,460,773	534,018	3,223,831	3,757,849	4,702,924
Oig contractors audit	5,524,000	—	391,593	391,593	5,132,407
Asbestos/lead consultants	5,002,077	4,947,134	—	4,947,134	54,943
Prepay 1996 COPS	15,344,829	15,344,829	—	15,344,829	—
Costs of insurance	31,839,045	25,215,510	6,345,211	31,560,721	278,324
PERS recapture	2,649,568	2,228,464	421,104	2,649,568	—
Total other costs	413,771,267	265,623,552	76,007,015	341,630,567	72,140,700
Total existing facilities	1,537,347,663	1,040,276,628	297,767,800	1,338,044,428	199,303,235
Others:					
Interest income	130,656,858	—	—	—	130,656,858
Contingency	20,194,158	—	—	—	20,194,158
Unallocated year-end accrued expenditures	—	—	25,000,000	25,000,000	(25,000,000)
Total others	150,851,016	—	25,000,000	25,000,000	125,851,016
Total Proposition BB project costs	\$ 2,513,111,398	1,641,563,064	388,111,739	2,029,674,803	483,436,595

See accompanying notes to statement of project costs.

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

Notes to Statement of Project Costs

Period from April 1, 1997 (inception) through June 30, 2004

(1) Proposition BB School Bond Construction Program Background

*Los Angeles Unified School District
Proposition BB School Bond Construction*

Proposition BB Initiative (Proposition BB) authorized the Los Angeles Unified School 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 Los Angeles Unified School District Board of Education has established a Citizen's Oversight Committee to ensure that the proceeds of the Proposition BB School Bond Construction Program issues are used for the purposes stated in the resolution, which placed the Proposition BB on the 1997 ballot.

All projects are managed by LAUSD approved Program Managers. The Board of Education must approve all project contracts. Each Program Manager is responsible for managing all program-related activities, including the maintenance of master construction schedules and the master program budgets.

(2) Basis of Presentation

The accompanying Statement of Project Costs has been prepared in conformity with accounting principles generally accepted in the United States of America. The accompanying Statement of Project Costs reflects the flow of economic resources management and is presented on the full-accrual basis of accounting.

(a) Adjusted Budget (Unaudited)

The amounts included within the adjusted budget (unaudited) column in the accompanying Statement of Project Costs represent costs that are expected to be expended to complete the various projects.

(b) Actual Costs

The amounts included within the total actual costs columns in the accompanying statement of project costs represent actual expenditures paid and accrued by the Los Angeles Unified School District for the period from April 1, 1997 (inception) through June 30, 2004.

(c) Unallocated Costs

The amounts included in the accompanying combined Statement of Project Costs represent year-end accrued expenditures incurred as of June 30, 2004 but not yet allocated to a specific cost category.

**LOS ANGELES UNIFIED SCHOOL DISTRICT
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Notes to Statement of Project Costs

Period from April 1, 1997 (inception) through June 30, 2004

**(3) Budget Balances from Inception to
Fiscal Year Ended June 30, 2004 (Unaudited)**

The following is a summary of the budgeted revenues and expenditures for the Proposition BB School Bond Construction Program from April 1, 1997 (inception) through June 30, 2004:

Bonds issued	\$ 2,400,000,000
Interest – actuals as of fiscal year 2003	119,218,801
Local income	<u>93,057</u>
	2,519,311,858
Projected interest – fiscal year 2003-2004	<u>11,345,000</u>
Total bonds issued plus interest and other income	2,530,656,858
Less prepaid OCIP Insurance	<u>(17,545,460)</u>
Estimated Modified Budget Project – fiscal year 2003-2004	2,513,111,398
Less expenditures/project costs from inception through the year ended June 30, 2004	<u>(2,029,674,803)</u>
Available budget balance as of June 30, 2004	\$ <u><u>483,436,595</u></u>