



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

Statement of Project Costs

Period from April 1, 1997 (inception)
through June 30, 2005

(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 actual costs incurred included in 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, 2005. Such statement of project costs is the responsibility of the District's management. Our responsibility is to express an opinion on the actual costs incurred included in 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 actual costs incurred included in the statement of project costs is free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing 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 over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the statement of project costs, 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 actual costs incurred of the Proposition BB School Bond Construction Program for the period from April 1, 1997 (inception) through June 30, 2005, in conformity with U.S. generally accepted accounting principles.

KPMG LLP

December 22, 2005

**LOS ANGELES UNIFIED SCHOOL DISTRICT
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	<u>Adjusted budget</u> (Unaudited)	<u>Actual costs incurred</u>			<u>Unspent budget</u> (Unaudited)
		<u>April 1, 1997 (inception) through June 30, 2004</u>	<u>Project costs, year ended June 30, 2005</u>	<u>Total project costs, through June 30, 2005</u>	
New facilities:					
New construction:					
Construction	\$ 276,457,844	190,555,378	6,674,622	197,230,000	79,227,844
Tests	2,561,707	1,770,104	791,603	2,561,707	—
Inspection	3,559,949	2,888,270	671,679	3,559,949	—
Sites	419,494,206	393,302,242	26,191,964	419,494,206	—
Plans	72,486,648	67,065,667	5,420,981	72,486,648	—
Nonreimbursable cost	852,784	899,753	(46,969)	852,784	—
Project related salaries – new facilities	1,986,817	1,827,850	—	1,827,850	158,967
Total new construction	777,399,955	658,309,264	39,703,880	698,013,144	79,386,811
Class size reduction – new facilities share:					
Portables	973,597	—	240,176	240,176	733,421
Portables – growth	17,600,515	—	11,948,422	11,948,422	5,652,093
New schools/centers	28,938,652	8,321,111	5,831,233	14,152,344	14,786,308
Total class size reduction – new facilities share	47,512,764	8,321,111	18,019,831	26,340,942	21,171,822
Total new facilities	824,912,719	666,630,375	57,723,711	724,354,086	100,558,633
Existing facilities:					
Repairs/school contracts/health and safety:					
Air conditioning	238,860,984	208,805,831	30,055,153	238,860,984	—
Bleachers	14,784,128	11,813,927	821,948	12,635,875	2,148,253
Safety and technology	309,573,438	170,193,530	112,723,573	282,917,103	26,656,335
Lockers	5,671,120	4,689,885	388,641	5,078,526	592,594
Lunch shelters	16,934,074	14,393,409	1,401,270	15,794,679	1,139,395
Security grills	26,753,101	22,785,497	693,731	23,479,228	3,273,873
Ventilation replacement	10,954,857	10,824,541	60,698	10,885,239	69,618
Auditorium renovations	7,480,659	5,288,743	978,256	6,266,999	1,213,660
Lighting	5,808,663	5,499,298	—	5,499,298	309,365
Asphalt paving	133,467,232	115,221,923	7,504,670	122,726,593	10,740,639
Electrical	18,862,836	8,853,703	480,611	9,334,314	9,528,522
Exterior paint	15,980,175	15,743,759	21,777	15,765,536	214,639
Interior paint	31,080,448	29,945,077	52,346	29,997,423	1,083,025
Wall systems	13,894,493	12,986,434	297,536	13,283,970	610,523
Floor covering	33,857,988	27,849,375	2,860,024	30,709,399	3,148,589
Locks	785,712	785,712	—	785,712	—
Plumbing	69,512,938	59,001,111	4,168,516	63,169,627	6,343,311
Roofing	6,178,050	6,169,976	—	6,169,976	8,074
Gutters, etc.	28,184,702	24,265,759	1,090,940	25,356,699	2,828,003
Total repairs contracts/health and safety	988,625,598	755,117,490	163,599,690	918,717,180	69,908,418

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through June 30, 2005

	Adjusted budget (Unaudited)	Actual costs incurred			Unspent budget (Unaudited)
		April 1, 1997 (inception) through June 30, 2004	Project costs, year ended June 30, 2005	Total project costs, through June 30, 2005	
Modernization:					
Nonreimbursable costs	\$ 66,209	66,209	—	66,209	—
Construction	50,447,957	34,084,533	6,158,124	40,242,657	10,205,300
Tests	534,707	534,707	—	534,707	—
Inspections	1,888,723	1,887,921	802	1,888,723	—
Plans	3,473,459	3,424,656	48,803	3,473,459	—
Total modernization	56,411,055	39,998,026	6,207,729	46,205,755	10,205,300
Class size reduction costs:					
Portables	22,698,111	20,075,623	(147,564)	19,928,059	2,770,052
Portables – growth	53,966,508	47,637,738	(10,480,689)	37,157,049	16,809,459
Renovation	1,500,000	540,367	—	540,367	959,633
Opening of closed schools	7,440,129	7,331,437	217	7,331,654	108,475
Total class size reduction costs	85,604,748	75,585,165	(10,628,036)	64,957,129	20,647,619
Other costs:					
School-determined needs	8,348,086	6,211,188	692,079	6,903,267	1,444,819
Board area match program	14,098,258	7,794,900	979,022	8,773,922	5,324,336
Program/project managers' fees	300,059,401	255,483,635	24,407,688	279,891,323	20,168,078
Hazard mitigation	6,996,696	6,996,696	(5,000,000)	1,996,696	5,000,000
Cost of issuance	1,237,067	1,037,981	93,864	1,131,845	105,222
Reprographic and other costs	4,280,000	3,096,135	152,150	3,248,285	1,031,715
Bonds bundling effort	6,191,051	2,358,338	961,522	3,319,860	2,871,191
Project-related salaries	14,201,293	3,757,849	9,993,016	13,750,865	450,428
OIG contractors audit	5,524,000	391,593	769,034	1,160,627	4,363,373
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	—
Cost of insurance	38,021,906	31,560,721	6,044,757	37,605,478	416,428
PERS savings recapture – BB other	32,970	—	32,970	32,970	—
PERS recapture	2,884,658	2,649,568	232,547	2,882,115	2,543
Total other costs	422,222,292	341,630,567	39,358,649	380,989,216	41,233,076
Total existing facilities	1,552,863,693	1,212,331,248	198,538,032	1,410,869,280	141,994,413
Others:					
Project funded with interest/local income	136,446,866	125,713,181	10,733,685	136,446,866	—
Contingency	9,536,824	—	—	—	9,536,824
Unallocated year-end accrued expenditures	—	25,000,000	(25,000,000)	—	—
Total others	145,983,690	150,713,181	(14,266,315)	136,446,866	9,536,824
Total Proposition BB project costs	\$ 2,523,760,102	2,029,674,804	241,995,428	2,271,670,232	252,089,870

See accompanying notes to statement of project costs.

**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

(1) Proposition BB School Bond Construction Program Background

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 U.S. generally accepted accounting principles. 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 actual costs incurred 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, 2005.

(c) Unspent Balance (Unaudited)

The amounts included within the unspent balances (unaudited) column in the accompanying Statement of Project Costs represent the difference between the adjusted budget (unaudited) column and the total project costs through June 30, 2005 column.

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**(3) Budget Balances from Inception to
Fiscal Year Ended June 30, 2005 (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, 2005:

Bonds issued	\$	2,400,000,000
Interest – actual from 1997 (inception) to 2004		125,620,124
Interest – actual fiscal year 2005		10,733,685
Local income		<u>93,057</u>
Total bonds issued plus interest and other income as of June 30, 2005		2,536,446,866
Less prepaid OCIP Insurance		<u>(12,686,764)</u>
Total budget as of June 30, 2005		2,523,760,102
Less expenditures/project costs from inception to June 30, 2005		<u>(2,271,670,232)</u>
Available budget balance as of June 30, 2005	\$	<u><u>252,089,870</u></u>