



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

Statement of Bond Expenditures

Period from April 8, 1997 (inception)
through June 30, 2006

(With Independent Auditors' Report Thereon)



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

Independent Auditors' Report

The Honorable Board of Education
Los Angeles Unified School District:

We have audited the actual expenditures incurred included in the accompanying statement of bond expenditures of the Proposition BB School Bond Construction Program of the Los Angeles Unified School District (the District) for the period from April 8, 1997 (inception) through June 30, 2006. Such statement of bond expenditures 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 bond expenditures 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 bond expenditures are 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 bond expenditures, 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 bond expenditures referred to above presents fairly, in all material respects, the actual expenditures incurred of the Proposition BB School Bond Construction Program of the Los Angeles Unified School District for the period from April 8, 1997 (inception) through June 30, 2006, in conformity with U.S. generally accepted accounting principles.

KPMG LLP

January 26, 2007

**LOS ANGELES UNIFIED SCHOOL DISTRICT
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	Adjusted budget (unaudited)	Actual expenditures incurred			Unspent balance (unaudited)
		April 8, 1997 (inception) through June 30, 2005	Bond expenditures year ended June 30, 2006	Total bond expenditures through June 30, 2006	
New facilities:					
New construction:					
Construction	\$ 275,136,562	197,230,000	25,138,066	222,368,066	52,768,496
Tests	2,538,623	2,561,707	(23,084)	2,538,623	—
Inspection	4,082,530	3,559,949	522,581	4,082,530	—
Sites	418,374,527	419,494,206	(1,119,679)	418,374,527	—
Plans	80,077,113	72,486,648	7,571,515	80,058,163	18,950
Nonreimbursable cost	852,784	852,784	—	852,784	—
Project related salaries – new facilities	1,840,612	1,827,850	12,762	1,840,612	—
Total new construction	782,902,751	698,013,144	32,102,161	730,115,305	52,787,446
Class size reduction:					
Portables	973,597	240,176	17,422	257,598	715,999
Portables – growth	17,840,773	11,948,422	1,925,059	13,873,481	3,967,292
New schools/centers	19,971,845	14,152,344	1,316,147	15,468,491	4,503,354
Total class size reduction	38,786,215	26,340,942	3,258,628	29,599,570	9,186,645
Total new facilities	821,688,966	724,354,086	35,360,789	759,714,875	61,974,091
Existing facilities:					
Repairs/school contracts/health and safety:					
Air conditioning	219,750,731	238,860,984	(24,454,594)	214,406,390	5,344,341
Bleachers	14,664,236	12,635,875	1,214,355	13,850,230	814,006
Safety & technology	311,614,042	282,917,103	247,161	283,164,264	28,449,778
Lockers	5,572,352	5,078,526	256,202	5,334,728	237,624
Lunch shelters	16,843,776	15,794,679	504,613	16,299,292	544,484
Security grills	25,290,310	23,479,228	276,031	23,755,259	1,535,051
Ventilation replacement	10,890,013	10,885,239	(69,788)	10,815,451	74,562
Auditorium renovations	7,444,050	6,266,999	545,477	6,812,476	631,574
Lighting	5,786,522	5,499,298	—	5,499,298	287,224
Paving	130,953,261	122,726,593	2,785,692	125,512,285	5,440,976
Electrical	18,140,047	9,334,314	363,599	9,697,913	8,442,134
Paint	46,660,035	45,762,959	42,858	45,805,817	854,218
Wall systems	13,800,855	13,283,970	134,077	13,418,047	382,808
Floor covering	33,346,763	30,709,399	751,829	31,461,228	1,885,535
Locks	785,712	785,712	—	785,712	—
Plumbing	68,012,008	63,169,627	1,417,936	64,587,563	3,424,445
Roofing	6,175,602	6,169,976	—	6,169,976	5,626
Gutters, etc.	27,220,605	25,356,699	170,200	25,526,899	1,693,706
Total repairs and contracts/health and safety	962,950,920	918,717,180	(15,814,352)	902,902,828	60,048,092
Modernization:					
Nonreimbursable cost	66,209	66,209	—	66,209	—
Construction	45,031,611	40,242,657	1,105,443	41,348,100	3,683,511
Test	534,707	534,707	—	534,707	—
Inspections	1,889,801	1,888,723	1,078	1,889,801	—
Plans	3,523,589	3,473,459	50,130	3,523,589	—
Total modernization	51,045,917	46,205,755	1,156,651	47,362,406	3,683,511
Class size reduction:					
Portables	22,698,111	19,928,059	89,165	20,017,224	2,680,887
Portables – growth	53,889,055	37,157,049	200,884	37,357,933	16,531,122
Renovation	540,367	540,367	—	540,367	—
Opening of closed schools	7,440,129	7,331,654	—	7,331,654	108,475
Total class size reduction	84,567,662	64,957,129	290,049	65,247,178	19,320,484
Other costs:					
School determined needs	8,122,324	6,903,267	485,749	7,389,016	733,308
Board area match program	14,645,346	8,773,922	1,402,574	10,176,496	4,468,850
Program/project managers fees	334,895,079	279,891,323	8,768,173	288,659,496	46,235,583
Hazard mitigation	1,996,696	1,996,696	—	1,996,696	—
Cost of issuance	1,237,067	1,131,845	5,020	1,136,865	100,202
Reprographic & other costs	3,981,104	3,248,285	263,235	3,511,520	469,584
Bonds bundling effort	6,601,176	3,319,860	(183,956)	3,135,904	3,465,272
Project-related salaries	19,334,306	13,750,865	5,583,441	19,334,306	—
Office of Inspector General (OIG) contractors audit	3,936,913	1,160,627	434,173	1,594,800	2,342,113
Asbestos/lead consultants	4,994,476	4,947,134	—	4,947,134	47,342
Prepay 1996 COPs	15,344,829	15,344,829	—	15,344,829	—

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Period from April 8, 1997 (inception) through June 30, 2006

	Adjusted budget (unaudited)	Actual expenditures incurred			Unspent balance (unaudited)
		April 8, 1997 (inception) through June 30, 2005	Bond expenditures year ended June 30, 2006	Total bond expenditures through June 30, 2006	
Cost of insurance	\$ 43,032,244	37,605,478	4,968,300	42,573,778	458,466
Contingency	1,542,084	—	—	—	1,542,084
PERS savings recapture – BB Other	40,768	32,970	7,798	40,768	—
PERS recapture	3,074,624	2,882,115	192,509	3,074,624	—
Total other costs	<u>462,779,036</u>	<u>380,989,216</u>	<u>21,927,016</u>	<u>402,916,232</u>	<u>59,862,804</u>
Total existing facilities	<u>1,561,343,535</u>	<u>1,410,869,280</u>	<u>7,559,364</u>	<u>1,418,428,644</u>	<u>142,914,891</u>
Others:					
Interest/local income	147,098,683	136,446,866	10,651,817	147,098,683	—
Suspense account (program 1914)	—	—	8,182	8,182	(8,182)
Unallocated year-end accrued expenditures	9,639,431	—	9,639,431	9,639,431	—
Unallocated year-end prior year accrued expenditures	—	9,616	(4,300,000)	(4,290,384)	4,290,384
Total others	<u>156,738,114</u>	<u>136,456,482</u>	<u>15,999,430</u>	<u>152,455,912</u>	<u>4,282,202</u>
Total Proposition BB bond expenditures	<u>\$ 2,539,770,615</u>	<u>2,271,679,848</u>	<u>58,919,583</u>	<u>2,330,599,431</u>	<u>209,171,184</u>

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

Period from April 8, 1997 (inception)
through June 30, 2006

(1) Proposition BB School Bond Construction Program Background

Proposition BB Initiative (Proposition BB) authorized the Los Angeles Unified School District (the 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 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 District 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 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) Adjusted Budget (Unaudited)

The amounts included within the adjusted budget (unaudited) column in the accompanying statement of bond expenditures represent the prior year expenditures and current 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 Costs

The amounts included within the actual expenditures incurred columns in the accompanying statement of bond expenditures represent actual expenditures paid and accrued by the District for the period from April 1, 1997 (inception) through June 30, 2006. The negative bond expenditures for the year ended June 30, 2006 represent expenditures initially funded by Proposition BB in previous years, but subsequently funded through other financing sources in the current year.

(c) Unspent Balance (Unaudited)

The amounts included within the unspent balances (unaudited) column in the accompanying statement of bond expenditures represent the difference between the adjusted budget (unaudited) column and the total bond expenditures through June 30, 2006 column.

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(3) Budget Balances from Inception to Fiscal Year Ended June 30, 2006 (Unaudited)

The following is a summary of the budgeted revenues and expenditures for the Program from April 8, 1997 (inception) through June 30, 2006:

Bonds issued	\$ 2,400,000,000
Interest – actual from 1997 (inception) to 2005	136,353,809
Interest – actual fiscal year 2006	10,651,817
Local income	<u>93,057</u>
Total bonds issued plus interest and other income as of June 30, 2006	2,547,098,683
Prepaid Owner-Controlled Insurance Program	(4,328,068)
Relocation Revolving Fund	<u>(3,000,000)</u>
Total budget as of June 30, 2006	2,539,770,615
Less expenditures from inception to June 30, 2006	<u>(2,330,599,431)</u>
Available budget balance as of June 30, 2006	\$ <u><u>209,171,184</u></u>