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## Independent Auditor's Report

The Honorable Board of Education  
Los Angeles Unified School District:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Los Angeles Unified School District (the District), which collectively comprise the District's basic financial statements, as of and for the year ended June 30, 2009 and have issued our report thereon dated February 19, 2010. We have also audited the expenditures incurred included in the accompanying statement of bond expenditures of the **Proposition BB School Bond Construction Program** of the District for the period from July 1, 2007 through June 30, 2009. Such statement of bond expenditures is the responsibility of the District's management. Our responsibility is to express an opinion on the expenditures incurred included in the accompanying statement of bond expenditures based on our audit. The expenditures incurred included in the statement of bond expenditures from April 8, 1997 (inception) through June 30, 2007 were audited by other auditors whose report dated May 15, 2009 expressed an unqualified opinion on that statement.

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 expenditures 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 and the report of other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audit and the report of other auditors, the statement of bond expenditures referred to above presents fairly, in all material respects, the 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, 2009 in conformity with U.S. generally accepted accounting principles.

April 13, 2010

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

Statement of Bond Expenditures  
Period from April 8, 1997 (Inception) through June 30, 2009

Cost Category	Adjusted Budget (Unaudited)	Actual Expenditures Incurred			Unexpended Balance (Unaudited)
		April 8, 1997 (Inception) through June 30, 2008	Expenditure Year Ended June 30, 2009	Total Expenditure through June 30, 2009	
New Construction:					
New Construction:					
Construction	\$ 314,744,931	\$ 293,460,835	\$ 20,368,034	\$ 313,828,869	\$ 916,062
Tests	2,459,744	2,459,744	(20,990)	2,438,754	20,990
Inspection	4,297,313	4,267,312	23,772	4,291,084	6,229
Sites	371,547,138	370,947,138	505,597	371,452,735	94,403
Plans	89,887,089	86,887,089	2,717,031	89,604,120	282,969
Nonreimbursable Cost	847,046	847,046	-	847,046	-
Project Related Salaries - New Facilities	1,840,611	1,840,611	-	1,840,611	-
Total New Construction	785,623,872	760,709,775	23,593,444	784,303,219	1,320,653
Class Size Reduction:					
Portables	303,425	278,425	19,076	297,501	5,924
Portables - Growth	18,893,311	18,443,311	422,629	18,865,940	27,371
New Schools/Centers	20,292,111	18,192,111	2,006,723	20,198,834	93,277
Total Class Size Reduction	39,488,847	36,913,847	2,448,428	39,362,275	126,572
Total New Construction/Class Size Reduction	825,112,719	797,623,622	26,041,872	823,665,494	1,447,225
Existing Facilities					
Repairs/School Contracts/Health & Safety:					
Air Conditioning	236,554,158	215,805,065	8,408,183	224,213,248	12,340,910
Bleachers	17,573,104	14,365,885	655,575	15,021,460	2,551,644
Safety & Technology	308,808,584	286,115,669	6,528,664	292,644,333	16,164,251
Lockers	5,816,612	5,260,118	35,676	5,295,794	520,818
Lunch Shelters	17,383,868	16,465,289	314,894	16,780,183	603,685
Security Grills	24,457,562	23,912,321	1	23,912,322	545,240
Ventilation Replacement	13,908,799	10,841,268	1,166,469	12,007,737	1,901,062
Auditorium Renovations	7,592,848	6,943,250	363,818	7,307,068	285,780
Lighting	6,091,380	5,576,330	378,556	5,954,886	136,494
Paving	126,839,527	126,173,243	(3,190,792)	122,982,451	3,857,076
Electrical	12,619,304	9,986,465	633,458	10,619,923	1,999,381
Paint	45,837,261	45,814,663	-	45,814,663	22,598
Wall Systems	14,397,177	14,153,644	(380,308)	13,773,336	623,841
Floor Covering	32,094,039	31,764,150	6,430	31,770,580	323,459
Locks	789,593	785,712	-	785,712	3,881
Plumbing	67,354,800	64,484,114	(133,699)	64,350,415	3,004,385
Roofing	6,173,376	6,169,976	-	6,169,976	3,400
Gutters, etc.	26,739,686	25,699,682	180,986	25,880,668	859,018
Total Repairs/School Contracts/Health & Safety	971,031,678	910,316,844	14,967,911	925,284,755	45,746,923
Modernization:					
Nonreimbursible Cost	66,209	66,209	-	66,209	-
Construction	48,175,539	38,870,059	(5,392,602)	33,477,457	14,698,082
Test	634,609	534,707	-	534,707	99,902
Inspections	1,895,917	1,894,677	(5,460)	1,889,217	6,700
Plans	3,895,468	3,601,099	(5,544)	3,595,555	299,913
Total Modernization	54,667,742	44,966,751	(5,403,606)	39,563,145	15,104,597

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

Statement of Bond Expenditures  
Period from April 8, 1997 (Inception) through June 30, 2009

Cost Category	Adjusted Budget (Unaudited)	Actual Expenditures Incurred		Unexpended Balance (Unaudited)
		April 8, 1997 (Inception) through June 30, 2008	Expenditure Year Ended June 30, 2009	
			Total Expenditure through June 30, 2009	
Class Size Reduction:				
Portables	21,035,914	20,064,705	3,168	968,041
Portables - Growth	42,905,382	39,753,435	(2,460,057)	5,612,004
Renovation	540,367	540,367	-	-
Opening of Closed Schools	7,463,807	7,348,903	6,281	108,623
Total Class Size Reduction	71,945,470	67,707,410	(2,450,608)	6,688,668
Other Costs:				
School Determined Needs	8,622,492	7,566,183	288	1,056,021
Board Area Match Program	14,163,488	12,345,780	348,812	1,468,896
Program/Project Managers Fees	347,393,248	309,754,492	37,505,142	133,614
Hazard Mitigation	2,078,862	1,821,889	672	256,301
Cost of Issuance	1,136,865	1,136,865	-	-
Reprographic & Other Costs	4,055,014	3,759,040	5,716	290,258
Bonds Bundling Effort	5,692,944	4,420,501	(129,957)	1,402,400
Project-related salaries	20,051,037	20,051,037	-	-
Office of the Inspector General Contractors Audit	3,750,000	3,567,485	303	182,212
Asbestos/Lead Consultants	5,002,078	4,947,134	-	54,944
Prepay 1996 COPs	15,344,829	15,344,829	-	-
Cost of Insurance	43,098,112	42,643,249	-	454,863
Contingency	1,837,842	-	-	1,837,842
Total Other Costs	472,226,811	427,358,484	37,730,976	7,137,351
Total Existing Facilities	1,569,871,701	1,450,349,489	44,844,673	74,677,539
Others:				
Accruals	-	4,345,213	(1,245,416)	(3,099,797)
Employee Benefits	3,214,969	3,132,736	6,938	75,295
Interest/Local Income Expended	175,949,287	172,807,098	3,142,189	-
Prior Year Adjustments-Expenditures Transfer	8,667,967	43,112,888	(34,444,921)	-
Interfund Transfer from BB to Various Funds	92,326,568	12,605,840	79,597,180	123,548
Arbitrage Rebate	1,620,449	1,620,449	-	-
Total Others	281,779,240	237,624,224	47,055,970	(2,900,954)
Total Proposition BB Bond Expenditures	\$ 2,676,763,660	\$ 2,485,597,335	\$ 117,942,515	\$ 73,223,810

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, 2009

**(1) Proposition BB School Bond Construction Program Background**

Proposition BB Initiative (Proposition BB) authorized the Los Angeles Unified School District (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 bond issuances are used for the purposes stated in the resolution, which placed the Proposition BB on the 1997 ballot.

All projects are managed by District-approved project managers. Each project manager is responsible for managing all project-related activities, including the maintenance of the District's master schedule and the master project budget.

**(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 from April 8, 1997 (inception) through June 30, 2008 and FY 2008-09 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 Expenditures Incurred***

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 8, 1997 (inception) through June 30, 2009. The negative bond expenditures for the year ended June 30, 2009 represent expenditures initially funded by Proposition BB in previous years, but subsequently funded through other financing sources in the current year.

**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, 2009

**c) Unexpended Balance (Unaudited)**

The amounts included within the unexpended 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, 2009 column.

**(3) Fund Balances from Inception to Fiscal Year Ended June 30, 2009 (Unaudited)**

The following is a summary of the budgeted revenues and expenditures for the Program from April 8, 1997 (inception) through June 30, 2009:

**Actual:**

Bonds Issued from Inception through June 30 2009	\$ 2,400,000,000
Interest - Actual from Inception through June 30, 2008	171,560,983
Interest - Actual FY 2008-09	3,142,189
Local Income FY 2001-02	93,057
Interfund Transfer-Other Fund Sources (Transfer in) FY 2006-07	1,153,059
Interfund Transfer-Other Fund Sources (Transfer in) FY 2007-08	58,604,745
Interfund Transfer-Other Fund Sources (Transfer in) FY 2008-09	<u>45,209,627</u>
Total Bonds issued, Interest /Local Income/OFS as of June 30, 2009	\$ 2,679,763,660
Less: Expenditures from Inception through June 30, 2009	<u>(2,603,539,850)</u>
Available fund balance as of June 30, 2009	\$ 76,223,810
Less: Reserves- Relocation Revolving Fund	<u>(3,000,000)</u>
<b>Available Fund Balance as of June 30, 2009</b>	<b><u>\$ 73,223,810</u></b>