



LOS ANGELES UNIFIED SCHOOL DISTRICT

Measure K School Bond Construction Program

Statement of Project Costs

Period from November 1, 2002 (inception) to June 30, 2003

(With Independent Auditors' Report Thereon)



KPMG LLP
Suite 2000
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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 Measure K School Bond Construction Program of the Los Angeles Unified School District (the District) for the period from November 1, 2002 (inception) to June 30, 2003, as required by Proposition 39. 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 the 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 Measure K School Bond Construction Program for the period from November 1, 2002 (inception) to June 30, 2003 in conformity with accounting principles generally accepted in the United States of America.

KPMG LLP

April 4, 2004

**LOS ANGELES UNIFIED SCHOOL DISTRICT
MEASURE K FUNDS**

Statement of Project Costs

Period from November 1, 2002 (inception) to June 30, 2003

Cost category	Total budget (Unaudited)	Actual costs	Budget variance
New construction:			
Phase one:			
New construction	\$ 1,060,105,153	40,521,207	1,019,583,946
Additions	71,703,852	1,109,427	70,594,425
Playground expansion	23,141,687	468,309	22,673,378
Support costs	169,178	108,076	61,102
Labor costs	29,384	—	29,384
Total phase one	<u>1,155,149,254</u>	<u>42,207,019</u>	<u>1,112,942,235</u>
Phase two:			
New construction	635,777,734	491,191	635,286,543
Support costs	73,582,341	3,142,799	70,439,542
Labor costs	36,910	23,592	13,318
Office of Inspector General Audit	15,000,000	33,605	14,966,395
Total phase two	<u>724,396,985</u>	<u>3,691,187</u>	<u>720,705,798</u>
Total new construction	<u>1,879,546,239</u>	<u>45,898,206</u>	<u>1,833,648,033</u>
Modernization:			
Lead and asbestos removal	12,000,000	20,249	11,979,751
Repairs	509,216	—	509,216
Repair support costs	8,635,251	1,066,717	7,568,534
Total modernization	<u>21,144,467</u>	<u>1,086,966</u>	<u>20,057,501</u>
Early childhood education:			
Renovation/repair	10,970,149	—	10,970,149
Expansion	37,778,657	468,389	37,310,268
Support costs	1,513,881	—	1,513,881
Labor costs	200,000	—	200,000
Total early childhood education	<u>50,462,687</u>	<u>468,389</u>	<u>49,994,298</u>
Information Technology Department (ITD):			
Indirect support – ITD:			
Labor	1,536,160	31,640	1,504,520
Tech and communication infrastructure supplies	416,118	13,290	402,828
Total Information and Technology Department (ITD)	<u>1,952,278</u>	<u>44,930</u>	<u>1,907,348</u>
Joint use:			
Project costs	<u>6,551,992</u>	<u>—</u>	<u>6,551,992</u>
Employee fringe benefits	<u>—</u>	<u>43,887</u>	<u>(43,887)</u>
Total Measure K Project Costs	<u>\$ 1,959,657,663</u>	<u>47,542,378</u>	<u>1,912,115,285</u>

See accompanying notes to the statement of project costs.

**LOS ANGELES UNIFIED SCHOOL DISTRICT
MEASURE K SCHOOL BOND CONSTRUCTION PROGRAM**

Notes to the Statement of Project Costs

Period from November 1, 2002 (inception) to June 30, 2003

(1) (1) Measure K Bond Construction Program Background

The Measure K Bond Construction Program (Program) is intended to provide funding for continued improvements to schools and to provide an additional 112,000 new seats for children and to build new neighborhood schools. Additionally, the Program has set funds aside for improving the neighboring communities by enhancing recreational activities and providing after school space by constructing new schools near parks and libraries.

The Board of Education has established a School Construction Bond Citizens' Oversight Committee to ensure that the proceeds of the Bond issues are used for the purposes stated in the resolution which placed Measure K on the 2002 ballot. The Measure K School Bond initiative authorized the issuance of \$3.35 billion in bonds, after which \$2.1 billion was issued in March 2003, followed by an additional issuance of approximately \$100 million. The proceeds from the Measure K School Bonds are to be used for projects such as repairing leaky roofs, connecting classrooms to intranets and the internet, equipping libraries with new books, and construction of new schools and early education centers. All projects to be funded under the Measure K School Bond Construction Program must be included in the Board of Education approved Strategic Execution Plans, which detail the scope of work to be done for each project. The District has established a Bond Charging Policy to outline the allowable expenditures for the Measure K School Bond Construction Program related costs. Such policies specifically state that no funds will be spent for teacher or administrator salaries or for operating expenses.

All projects are managed by approved District Program Managers. Program Managers are responsible for managing all program-related activities, including the maintenance of the District's master schedule and the master program budget.

(2) (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) (a) Budget (Unaudited)

The amounts include within the budget (unaudited) column in the accompanying statement of project costs represents the costs that are expected to be expended to complete the various projects.

(b) (b) Actual Costs Incurred

The amounts included within the total actual costs column in the accompanying combined statement of project costs represents actual expenditures paid and accrued by the Los Angeles Unified School District for the period from November 1, 2002 (inception of the program) to June 30, 2003.