



LOS ANGELES UNIFIED SCHOOL DISTRICT

Measure K School Bond Construction Program

Statement of Project Costs

Period from November 1, 2002 (inception) to 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 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, 2004, 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, 2004 in conformity with accounting principles generally accepted in the United States of America.

KPMG LLP

January 7, 2005

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

Statement of Project Costs

Period from November 1, 2002 (inception) to June 30, 2004

Cost category	Adjusted budget (Unaudited)	Actual costs incurred			Unspent balance
		November 1, 2002 (inception) to June 30, 2003	Total project costs, year ended June 30, 2004	Total project costs, through year ended June 30, 2004	
New construction:					
Phase one:					
New construction	\$ 1,120,596,407	40,521,207	277,781,151	318,302,358	802,294,049
Additions	78,854,446	1,109,427	21,661,955	22,771,382	56,083,064
Playground expansion	18,377,506	468,309	8,490,535	8,958,844	9,418,662
Support costs	84,703,322	108,076	1,083,351	1,191,427	83,511,895
Labor costs	7,617,573	—	4,494,871	4,494,871	3,122,702
Total phase one	<u>1,310,149,254</u>	<u>42,207,019</u>	<u>313,511,863</u>	<u>355,718,882</u>	<u>954,430,372</u>
Phase two:					
New construction	376,948,831	491,191	5,812,230	6,303,421	370,645,410
Additions	10,889,975	—	19,036	19,036	10,870,939
Support costs	61,156,281	3,142,799	6,173,489	9,316,288	51,839,993
Labor costs	10,221,334	23,592	4,617,567	4,641,159	5,580,175
Office of Inspector General Audit	7,500,000	33,605	754,153	787,758	6,712,242
Total phase two	<u>466,716,421</u>	<u>3,691,187</u>	<u>17,376,475</u>	<u>21,067,662</u>	<u>445,648,759</u>
Total new construction	<u>1,776,865,675</u>	<u>45,898,206</u>	<u>330,888,338</u>	<u>376,786,544</u>	<u>1,400,079,131</u>
Modernization:					
Lead and asbestos removal	12,000,000	20,249	1,287,311	1,307,560	10,692,440
Repairs	181,979,686	—	2,320,899	2,320,899	179,658,787
Repair support costs	500,706,879	1,066,717	34,987,781	36,054,498	464,652,381
Total modernization	<u>694,686,565</u>	<u>1,086,966</u>	<u>38,595,991</u>	<u>39,682,957</u>	<u>655,003,608</u>
Early childhood education:					
Renovation/repair	9,793,305	—	224,216	224,216	9,569,089
Expansion	11,992,726	468,389	5,840,745	6,309,134	5,683,592
Education center	26,462,909	—	—	—	26,462,909
Support costs	1,813,881	—	175,209	175,209	1,638,672
Labor costs	399,865	—	101,547	101,547	298,318
Total early childhood education	<u>50,462,686</u>	<u>468,389</u>	<u>6,341,717</u>	<u>6,810,106</u>	<u>43,652,580</u>
Information Technology Department (ITD):					
Indirect support – ITD:					
Support costs	1,885,200	—	61,165	61,165	1,824,035
Labor costs	1,980,042	31,640	1,250,142	1,281,782	698,260
Nonlabor	827,082	—	524,715	524,715	302,367
Technical support	10,000,000	—	402,526	402,526	9,597,474
Tech and communication infrastructure:					
Supplies	40,235,976	13,290	7,145,284	7,158,574	33,077,402
Upgrading and stocking library	29,176,178	—	1,207,220	1,207,220	27,968,958
Total Information Technology Department (ITD)	<u>84,104,478</u>	<u>44,930</u>	<u>10,591,052</u>	<u>10,635,982</u>	<u>73,468,496</u>
Charter Schools:					
Expansion	26,129,845	—	7,518	7,518	26,122,327
Support costs	10,437,319	—	—	—	10,437,319
Total Charter Schools	<u>36,567,164</u>	<u>—</u>	<u>7,518</u>	<u>7,518</u>	<u>36,559,646</u>
Joint use:					
Project costs	5,741,177	—	—	—	5,741,177
Employee fringe benefits	1,572,255	43,887	330,934	374,821	1,197,434
Interest	14,319,730	—	—	—	14,319,730
Unallocated year-end accrued expenditures	—	—	27,211,668	27,211,668	(27,211,668)
Total Measure K Project Costs	<u>\$ 2,664,319,730</u>	<u>47,542,378</u>	<u>413,967,218</u>	<u>461,509,596</u>	<u>2,202,810,134</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, 2004

(1) Measure K School Bond Construction Program Background

The Measure K School 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 Measure K School 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. 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) 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) 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) Actual Costs Incurred

The amounts included within the total actual costs column in the accompanying 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, 2004.

(c) Unallocated Costs

The amounts included in the accompanying 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
MEASURE K SCHOOL BOND CONSTRUCTION PROGRAM**

Notes to the Statement of Project Costs

Period from November 1, 2002 (inception) to June 30, 2004

(3) State Funding

The Facilities Services Division transferred \$35.8 million in expenditures for seven projects to Measure K funds in order to leverage the local bond funds against State matching funds. These projects were going to be funded by Escutia funds from the State but because of increasing construction costs, the Escutia funds were insufficient to fund all projects originally planned under Escutia. The transfer resulted in an additional \$80 million of State matching funds for the New Construction Phase I program. All seven projects are identified in the Measure K Bond language and in the New Construction Strategic Execution Plan.

**(4) 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 Measure K School Bond Construction Program from November 1, 2002 (inception) through June 30, 2004:

Actual:

Bonds issued (fiscal year 2002/2003)	\$ 2,100,000,000
Interest (actual for fiscal year 2002/2003)	<u>5,069,730</u>
Total bonds issued and interest as of June 30, 2004	<u>2,105,069,730</u>

Projected:

Bonds (projected to be issued in fiscal year 2003/2004)	550,000,000
Interest (projected for fiscal year 2003/2004)	<u>9,250,000</u>
Total bonds projected to be issued and projected interest for fiscal year 2003/2004	<u>559,250,000</u>

Less expenditures/project costs from inception to June 30, 2004	<u>(461,509,596)</u>
Available budget balance as of June 30, 2004	<u><u>\$ 2,202,810,134</u></u>