



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

Statement of Project Costs

Period from November 1, 2002 (inception) to 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 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, 2005, 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 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 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, 2005, in conformity with U.S. generally accepted accounting principles.

KPMG LLP

December 22, 2005

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Cost category	Adjusted budget (Unaudited)	Actual costs incurred		Total project costs, through year ended June 30, 2005	Unspent Balance (Unaudited)
		Total project costs, through year ended June 30, 2004	Project costs, year ended June 30, 2005		
New construction:					
Phase one:					
New construction	\$ 1,162,626,071	318,302,358	458,757,599	777,059,957	385,566,114
Additions	89,480,710	22,771,382	21,353,142	44,124,524	45,356,186
Playground expansion	20,964,804	8,958,844	3,758,337	12,717,181	8,247,623
Support costs	8,316,288	1,191,427	2,773,659	3,965,086	4,351,202
Labor costs	14,277,022	4,494,871	6,219,809	10,714,680	3,562,342
Total phase one	1,295,664,895	355,718,882	492,862,546	848,581,428	447,083,467
Phase two:					
New construction	134,959,969	6,303,420	34,123,197	40,426,617	94,533,352
Land acquisition, three new facilities	8,864,395	—	8,864,395	8,864,395	—
Additions	16,234,707	19,036	2,348,331	2,367,367	13,867,340
Playground expansion	4,800	—	4,800	4,800	—
Support costs	38,155,555	9,316,288	5,234,394	14,550,682	23,604,873
Labor costs	21,037,956	4,641,159	6,997,540	11,638,699	9,399,257
Office of Inspector General Audit	7,500,000	787,758	1,540,316	2,328,074	5,171,926
Total phase two	226,757,382	21,067,661	59,112,973	80,180,634	146,576,748
Total new construction	1,522,422,277	376,786,543	551,975,519	928,762,062	593,660,215
Modernization:					
Lead and asbestos removal	12,000,001	1,307,560	3,918,134	5,225,694	6,774,307
Repairs	285,352,937	2,320,899	32,135,075	34,455,974	250,896,963
Repair support costs	87,333,627	36,054,498	(20,387,717)	15,666,781	71,666,846
Total modernization	384,686,565	39,682,957	15,665,492	55,348,449	329,338,116
Early childhood education:					
Renovation/repair	9,793,305	224,216	1,917,673	2,141,889	7,651,416
Expansion	14,399,999	6,309,134	3,026,271	9,335,405	5,064,594
Education center	25,581,736	—	299,066	299,066	25,282,670
Support costs	300,000	175,209	109,020	284,229	15,771
Labor costs	387,645	101,547	286,098	387,645	—
Total early childhood education	50,462,685	6,810,106	5,638,128	12,448,234	38,014,451
Information Technology Department (ITD):					
Indirect support – ITD:					
Support costs	1,885,200	61,165	—	61,165	1,824,035
Labor costs	1,891,982	1,281,782	(120,998)	1,160,784	731,198
Nonlabor	1,718,878	524,715	611,246	1,135,961	582,917
Technical support	10,000,001	402,526	1,706,600	2,109,126	7,890,875
Tech and communication infrastructure:					
Supplies	54,530,452	7,158,574	40,413,815	47,572,389	6,958,063
Upgrading and stocking library	29,077,965	1,207,220	6,785,223	7,992,443	21,085,522
Total Information and Technology Department	99,104,478	10,635,982	49,395,886	60,031,868	39,072,610
Charter schools:					
Expansion	36,567,166	7,518	1,416,188	1,423,706	35,143,460
Total early childhood education	36,567,166	7,518	1,416,188	1,423,706	35,143,460
Joint use:					
Project costs	5,741,178	—	—	—	5,741,178
Employee fringe benefits	1,015,651	374,821	640,830	1,015,651	—
Project costs funded with interest	63,464,833	—	63,464,833	63,464,833	—
Unallocated costs as of June 30, 2004	—	27,211,668	(27,211,668)	—	—
Total Measure K Project Costs	\$ 2,163,464,833	461,509,595	660,985,208	1,122,494,803	1,040,970,030

See accompanying notes to the statement of project costs.

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

Notes to Statement of Project Costs

Period from November 1, 2002 (inception) to June 30, 2005

(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 at new schools with the initial stock of 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 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) Budget (Unaudited)

Of the \$3.35 billion in bonds, the amounts included within the adjusted budget (unaudited) column in the accompanying statement of project costs represent the current budget authority requested from the Board for costs that are expected to be expended to complete the various projects.

(b) Actual Costs Incurred

The amounts included within the actual costs incurred column in the accompanying statement of project costs represent 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, 2005.

(c) Unallocated Costs

Unallocated costs included in the accompanying statement of project costs represent year-end accrued expenditures incurred for fiscal year 2003-2004 but not yet allocated to a specific cost category as of June 30, 2004. There were no unallocated costs as of June 30, 2005.

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Period from November 1, 2002 (inception) to June 30, 2005

(d) Unspent Balances (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.

(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, 2005 (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, 2005:

Bonds issued (fiscal year 2002/2003)	\$ 2,100,000,000
Interest (fiscal year 2002/2003)	5,069,730
Interest (fiscal year 2003/2004)	32,440,483
Interest (for fiscal year 2004/2005)	<u>25,954,620</u>
Total bonds issued and interest as of June 30, 2005	2,163,464,833
Less expenditures/project costs from inception to June 30, 2005	<u>(1,122,494,803)</u>
Available budget balance as of June 30, 2005	\$ <u><u>1,040,970,030</u></u>