



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

Statement of Project Costs

Period from September 1, 2004 (inception) to June 30, 2005

(With Independent Auditors' Report Thereon)



KPMG LLP
Suite 2000
355 South Grand Avenue
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Independent Auditors' Report

The Board of Education
Los Angeles Unified School District:

We have audited the actual costs incurred included in the accompanying statement of project costs of the Measure R School Bond Construction Program of the Los Angeles Unified School District (the District) for the period from September 1, 2004 (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 actual costs incurred included in 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 actual costs incurred included in 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 actual costs incurred of the Measure R School Bond Construction Program for the period from September 1, 2004 (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	Project costs, year ended June 30, 2005	Unspent balance (Unaudited)
New construction:				
New schools most impacted campuses	\$ 15,100,000	4,256,793	4,256,793	10,843,207
Full day kindergarten	25,000,000	4,773,497	4,773,497	20,226,503
Furnitures equipment fix	21,721,728	2,571,200	2,571,200	19,150,528
Support costs – new facilities – district salaries	6,686,458	5,446	5,446	6,681,012
Total new construction	68,508,186	11,606,936	11,606,936	56,901,250
Existing:				
Upgrade school buildings	20,075,381	1,764,871	1,764,871	18,310,510
Upgrade school buildings – district salaries	174,619	82,545	82,545	92,074
Upgrade redesign campuses	11,097,866	—	—	11,097,866
A/C heating	106,570,465	13,790,713	13,790,713	92,779,752
Asbestos hazardous removal	45,000,000	1,517,639	1,517,639	43,482,361
Repair upgrade	21,779,090	1,080	1,080	21,778,010
Previous plan projects	130,369,629	40,770,979	40,770,979	89,598,650
New major repairs	27,395,044	297,069	297,069	27,097,975
Basic repairs	80,000,000	17,239,500	17,239,500	62,760,500
S & T upgrade	312,720,679	80,400,223	80,400,223	232,320,456
Support costs – existing facilities	34,750,000	—	—	34,750,000
Support costs – existing facilities – district salaries	1,022,802	369,271	369,271	653,531
Measure R – Prop BB program support cost	105,628,228	53,964,173	53,964,173	51,664,055
M R-BB program support cost – district salaries	2,269,646	703,451	703,451	1,566,195
Board member priority	16,200,000	—	—	16,200,000
M & O modernization	400,000	—	—	400,000
A/C auditorium and gym	8,000,000	—	—	8,000,000
Access comp portable classrooms	5,228,000	—	—	5,228,000
Total existing	928,681,449	210,901,514	210,901,514	717,779,935
Others:				
Adult Education and others – New	8,500,000	28,757	28,757	8,471,243
Adult Education – Other	200,000	—	—	200,000
Early Education	8,000,000	2,003,414	2,003,414	5,996,586
Early Education – New	400,000	68,907	68,907	331,093
Refunding of IFT-CSF-02B COPS	60,471,233	60,471,233	60,471,233	—
Refunding of IFT-CSF-00B COPS	89,523,479	89,523,479	89,523,479	—
Measure R election costs	2,719,535	2,719,535	2,719,535	—
Cost of issuance – Measure R	1,431,304	1,431,304	1,431,304	—
Pers-Savings Recap – MR	247,400	247,400	247,400	—
Pers-Savings Recap – MR others	12,126	12,126	12,126	—
Total others	171,505,077	156,506,155	156,506,155	14,998,922
Total Measure R project costs	\$ 1,168,694,712	379,014,605	379,014,605	789,680,107

See accompanying notes to statement of project costs.

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

Notes to Statement of Project Costs

Period from September 1, 2004 (inception) to June 30, 2005

(1) Measure R School Bond Construction Program Background

The Measure R or “the Safe and Healthy Neighborhood Schools Improvement Act of 2004” is intended to provide funding for continued improvement to schools and to provide an additional 163,233 new seats for children and to build approximately 50 new neighborhood schools.

The Board of Education has established a School Construction Bond Citizens’ Oversight Committee to ensure that the proceeds of the Measure R School Bond issues are used for the purposes stated in the resolution which placed Measure R on the 2004 ballot. The Measure R School Bond initiative authorized the issuance of \$3.87 billion in bonds. The proceeds from the Measure R School Bonds are to be used for projects such as: continue repair/upgrade of aging classrooms, restrooms; build neighborhood schools, early education centers; improve security systems, fire/earthquake safety; purchase library books; upgrade computer technology; eliminate asbestos and lead paint hazards; create small learning communities; and construct/upgrade science laboratories and other buildings. All projects to be funded under the Measure R 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 R School Bond Construction Program related costs. Such policies specifically state that no funds will be spent for administrator salaries.

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) *Adjusted Budget (Unaudited)*

Of the total \$3.87 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 September 1, 2004 (inception of the program) to June 30, 2005.

(c) *Unspent Balance*

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 projects costs through June 30, 2005 column.

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Notes to Statement of Project Costs

Period from September 1, 2004 (inception) to June 30, 2005

(3) State Funding

The Facilities Services Division transferred \$13,746,972 in expenditures for 20 projects to Measure R funds in order to leverage the local bond funds against state matching funds. All 20 projects are identified in the Measure R Bond language and in the Existing Facilities 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 R School Bond Construction Program from September 1, 2004 (inception) through June 30, 2005:

Bonds issued	\$ 204,182,837
Interest	<u>17,510</u>
Total bonds issued and interest as of June 30, 2005	204,200,347
Unissued bonds	<u>964,494,365</u>
Total budget as of June 30, 2005	1,168,694,712
Less expenditures/project costs from inception to June 30, 2005	<u>379,014,605</u>
Available budget balance as of June 30, 2005	\$ <u><u>789,680,107</u></u>

Total project costs from inception to June 30, 2005 include \$149,994,712 of funds used to refund IFT-CSF-02B and IFT-CSF-00B certificates of participation.