



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

Statement of Bond Expenditures

Period from March 2, 2004 (inception) to June 30, 2006

(With Independent Auditors' Report Thereon)



KPMG LLP
Suite 2000
355 South Grand Avenue
Los Angeles, CA 90071-1568

Independent Auditors' Report

The Honorable Board of Education
Los Angeles Unified School District:

We have audited the actual expenditures incurred included in the accompanying statement of bond expenditures of the Measure R School Bond Construction Program of the Los Angeles Unified School District (the District) for the period from March 2, 2004 (inception) to June 30, 2006. Such statement of bond expenditures 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 bond expenditures 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 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 the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the statement of bond expenditures referred to above presents fairly, in all material respects, the actual expenditures incurred of the Measure R School Bond Construction Program of the Los Angeles Unified School District for the period from March 2, 2004 (inception) to June 30, 2006, in conformity with U.S. generally accepted accounting principles.

KPMG LLP

January 26, 2007

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Period from March 2, 2004 (inception) to June 30, 2006

Cost category	Adjusted budget (unaudited)	Actual expenditures incurred			Unspent balance (unaudited)
		March 2004 (inception) through June 30, 2005	Bond expenditures year ended June 30, 2006	Project expenditures through June 30, 2006	
New construction:					
New Schools Most Impact Campuses	\$ 76,286,979	4,262,239	57,454,373	61,716,612	14,570,367
Full-Day kindergarten	17,027,234	4,773,497	7,772,590	12,546,087	4,481,147
Furnitures equipment fixtures	20,515,574	2,571,200	10,172,879	12,744,079	7,771,495
Interest	15,414,340	—	73,144	73,144	15,341,196
Total new construction	129,244,127	11,606,936	75,472,986	87,079,922	42,164,205
Existing facilities:					
A/C heating	126,200,000	13,790,713	37,538,162	51,328,875	74,871,125
Asbestos hazardous removal	44,227,464	1,517,639	8,018,552	9,536,191	34,691,273
Basic repairs	100,000,000	17,239,500	35,584,461	52,823,961	47,176,039
New major repairs	34,795,756	297,069	4,525,459	4,822,528	29,973,228
Previous plan projects	147,000,000	40,770,979	47,485,779	88,256,758	58,743,242
Repair upgrade	300,895,308	55,037,975	81,497,444	136,535,419	164,359,889
Safety and technology upgrade	305,424,382	80,400,223	59,403,156	139,803,379	165,621,003
Upgrade redesign campuses	5,000,000	—	686,929	686,929	4,313,071
Upgrade school buildings	20,332,095	1,847,416	2,566,845	4,414,261	15,917,834
Total existing facilities	1,083,875,005	210,901,514	277,306,787	488,208,301	595,666,704
Others:					
Accruals	31,570,694	—	31,570,694	31,570,694	—
Adult education	20,028,757	28,757	3,373,587	3,402,344	16,626,413
Charter	5,000,000	—	1,241,188	1,241,188	3,758,812
Early education	34,072,321	2,072,321	5,827,106	7,899,427	26,172,894
Election costs	2,719,535	2,719,535	—	2,719,535	—
ITD	42,000,000	—	2,686,873	2,686,873	39,313,127
Refinance COPS	149,994,712	149,994,712	—	149,994,712	—
Benefits					
Employee health, medical and group life insurance	2,400,000	—	—	—	2,400,000
Medicare	225,306	—	—	—	225,306
Unemployment insurance	100,999	—	—	—	100,999
Workers compensation self-insurance	674,365	—	—	—	674,365
OASDHI	963,379	—	—	—	963,379
PERS	2,358,849	259,526	577,593	837,119	1,521,730
Cost of issuance	6,152,333	1,431,304	4,721,029	6,152,333	—
Total others	298,261,250	156,506,155	49,998,070	206,504,225	91,757,025
Total Measure R bond expenditures	\$ 1,511,380,382	379,014,605	402,777,843	781,792,448	729,587,934

See accompanying notes to statement of bond expenditures.

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

Notes to Statement of Bond Expenditures

Period from March 2, 2004 (inception) to June 30, 2006

(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 General Obligation Bond Charging Guidelines to outline the allowable expenditures for the Measure R School Bond Construction Program related costs. Such guidelines specifically state that no funds will be spent for administrator salaries.

All projects are managed by approved District Project Managers. Project Managers are 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)

Of the total \$3.87 billion in bonds, the amounts included within the adjusted budget (unaudited) column in the accompanying statement of bond expenditures represent the prior year expenditures and current budget authority requested from the Board of Education for the 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 costs incurred column in the accompanying statement of bond expenditures represent actual expenditures paid and accrued by the Los Angeles Unified School District for the period from March 2, 2004 (inception of the program) to June 30, 2006.

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(c) Unallocated costs – Accrual

Unallocated costs included in the accompanying statement of bond expenditures represent year end accrued expenditures incurred for fiscal year 2005-2006 but not yet allocated to a specific cost category.

(d) Unspent Balance (Unaudited)

The amounts included within the unspent balances (unaudited) column in the accompanying statement of bond expenditures costs represent the difference between the adjusted budget (unaudited) column and the total bond expenditures through June 30, 2006 column.

(3) Budget Balances from Inception to Fiscal Year Ended June 30, 2006 (Unaudited)

The following is a summary of the budgeted revenues and expenditures for the Measure R School Bond Construction Program from March 2, 2004 (inception) through June 30, 2006:

Bonds issued – actual from 2004-2005	\$ 204,124,117
Bonds issued – actual fiscal year 2006	904,721,029
Interest – actual from 2004 (inception) to 2005	17,510
Interest – actual fiscal year 2006	15,396,830
Interfund transfer in from CS-COPS trst	<u>58,720</u>
Total bonds issued and interest as of June 30, 2006	1,124,318,206
Unissued bonds	<u>387,062,176</u>
Total budget as of June 30, 2006	1,511,380,382
Less expenditures/bond expenditures from inception to June 30, 2006	<u>(781,792,448)</u>
Available budget balance as of June 30, 2006	<u><u>\$ 729,587,934</u></u>

Total bond expenditures from inception to June 30, 2006 include \$149,994,712 of funds used to refund IFT-CSF-02B and IFT-CSF-00B certificates of participation.