



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

Statement of Bond Expenditures

Period from November 8, 2005 (inception) to June 30, 2006

(With Independent Auditors' Report Thereon)



**KPMG LLP**  
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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 Y School Bond Construction Program of the Los Angeles Unified School District (the District) for the period from November 8, 2005 (inception) to June 30, 2006. Such statement of project expenditures is the responsibility of the District's management. Our responsibility is to express an opinion on the actual expenditures 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 expenditures 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 by the Measure Y School Bond Construction Program of the Los Angeles Unified School District for the period from November 8, 2005 (inception) to June 30, 2006, in conformity with U.S. generally accepted accounting principles.

**KPMG LLP**

January 26, 2007

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<u>Cost category</u>	<u>Adjusted budget (unaudited)</u>	<u>Actual expenditures incurred</u>		<u>Unspent balance (unaudited)</u>
		<u>Bond expenditures year ended June 30, 2006</u>	<u>Total bond expenditures through June 30, 2006</u>	
New construction:				
School construction	\$ 25,000,000	6,649	6,649	24,993,351
Total new construction	<u>25,000,000</u>	<u>6,649</u>	<u>6,649</u>	<u>24,993,351</u>
Existing facilities:				
Major repairs	1,655,205	105,923	105,923	1,549,282
Bungalow repair and removal	5,000,000	—	—	5,000,000
Basic repairs	60,000,000	—	—	60,000,000
Install and upgrade fire alarm systems	62,757,082	—	—	62,757,082
Program support	34,297,611	20,358,834	20,358,834	13,938,777
Interfund transfer to general fund for deferred maintenance (note 3)	<u>30,000,000</u>	<u>30,000,000</u>	<u>30,000,000</u>	<u>—</u>
Total existing facilities	<u>193,709,898</u>	<u>50,464,757</u>	<u>50,464,757</u>	<u>143,245,141</u>
Others:				
Cost of issuance	6,671,876	6,671,876	6,671,876	—
Interfund transfer to capital service fund for debt service (note 3)	178,617,579	178,617,579	178,617,579	—
PERS savings recapture	<u>2,017</u>	<u>2,017</u>	<u>2,017</u>	<u>—</u>
Total others	<u>185,291,472</u>	<u>185,291,472</u>	<u>185,291,472</u>	<u>—</u>
Total Measure Y bond expenditures	<u>\$ 404,001,370</u>	<u>235,762,878</u>	<u>235,762,878</u>	<u>168,238,492</u>

See accompanying notes to statement of bond expenditures.

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

Notes to Statement of Bond Expenditures

Period from November 8, 2005 (inception) to June 30, 2006

**(1) Measure Y School Bond Construction Program Background**

The Measure Y School Bond or “the Safe and Healthy Neighborhood Schools Repair and Construction Measure of 2005” is intended to provide the funds to continue to repair and modernize existing schools, replace bungalows with permanent classrooms, abate asbestos hazards, upgrade fire and safety systems, expand early-education facilities, and provide sufficient core facilities at hundreds of schools.

The Board of Education has established a School Construction Bond Citizens’ Oversight Committee to ensure that the proceeds of the Measure Y School Bond issues are used for the purposes stated in the resolution which placed Measure Y on the 2005 ballot. The Measure Y School Bond initiative authorized the issuance of \$3.985 billion in bonds. The proceeds from the Measure Y School Bonds are to be used for projects such as the following: build neighborhood schools; bungalow repair and removal; upgrade and redesign campuses to create smaller schools; install and upgrade fire alarm systems; undertake complete asbestos hazard removal program; air condition remaining nonair-conditioned buildings; perform school alterations and improvements; upgrade and reinforce computer networks, school information systems, and technology capability; upgrade emergency radio systems; build new and repair existing early education centers in neediest areas; promote alternative education models like joint use and small learning communities; build, plan, and equip charter schools; replace all special education buses; give low performing schools added resources to improve results; audit and oversight of bond projects; and open new schools with sufficient number of library books. All projects to be funded under the Measure Y 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 Y School Bond Construction Program related costs. Such guidelines specifically state that no funds will be spent for administrators’ 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 project 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 \$3.985 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.

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Period from November 8, 2005 (inception) to June 30, 2006

**(b) *Actual Expenditures Incurred***

The amounts included within the actual expenditures 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 November 8, 2005 (inception of the program) to June 30, 2006.

**(c) *Unspent Balance (Unaudited)***

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

**(3) Interfund Transfers**

- (a) In prior years, the Deferred Maintenance Program was a General Fund supported program, via the Restricted Maintenance Account. With the voter approved passage of Measure Y, the District may fund the required match through Measure Y bond funding for a period up to five years and/or \$150,000,000.

The District plans to fund up to \$30,000,000 a year for five years from Measure Y to provide the District Contribution to match State grant funds for identified projects. The initial \$30,000,000 funding was approved by the Board on March 14, 2006.

- (b) The Facilities Services Division transferred \$178,617,579 into the Capital Service Fund out of the proceeds of the Measure Y Series A, B, and D Bonds to prepay certain base rental payments in connection with the outstanding Certificates of Participation (COPs) of the District. These COPs were used to fund the cost of various components of the projects and to pay costs of issuance in connection with the sale of Measure Y bonds.

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**(4) 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 Y School Bond Construction Program from November 8, 2005 (inception) through June 30, 2006:

Current modified budget, fiscal year 2005-2006	\$ 244,449,528
Additional bonds issued	<u>156,550,356</u>
Total bonds issued as of June 30, 2006	400,999,884
Interest (actual for fiscal year 2005-2006)	<u>3,001,486</u>
Total budget as of June 30, 2006	404,001,370
Less expenditures from inception to June 30, 2006 *	<u>(235,762,878)</u>
Available budget balance as of June 30, 2006	<u><u>\$ 168,238,492</u></u>

\* Total expenditures include \$30,000,000 and \$178,617,579 of interfund transfers to the General Fund and the Capital Service Fund, respectively, and these amounts are reported as interfund transfers in the District's June 30, 2006 comprehensive annual financial report.