

LOS ANGELES UNIFIED SCHOOL DISTRICT
Proposition BB, Measure K, Measure R, and
Measure Y School Bond Construction Programs
Agreed-Upon Procedures Report for the Year Ended
June 30, 2012 and Statements of Bond Expenditures
from Inception through June 30, 2012
(With Independent Auditor's Reports Thereon)



SIMPSON & SIMPSON
CERTIFIED PUBLIC ACCOUNTANTS

FOUNDING PARTNERS
BRAINARD C. SIMPSON, CPA
MELBA W. SIMPSON, CPA

3600 WILSHIRE BOULEVARD, SUITE 1710
LOS ANGELES, CA 90010
(213) 736-6664 TELEPHONE
(213) 736-6692 FAX
www.simpsonandsimpsoncpas.com

Independent Accountant's Report on Applying Agreed-Upon Procedures and Management's Responses to Exceptions

**The Honorable Board of Education
Los Angeles Unified School District:**

We have performed the procedures enumerated below, for the Proposition BB, Measure K, Measure R, and Measure Y School Bond Construction Programs (Bond Programs) which were agreed to by the Los Angeles Unified School District's (the District or LAUSD) officials and bond oversight committee, solely to assist the District and its management in fulfilling its oversight responsibility surrounding the administration of the Bond Programs for the year ended June 30, 2012. District management is responsible for the administration of the Bond Programs. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

Our procedures and the corresponding findings are as follows. The samples selected below were for proposition BB, Measure K, Measure R, and Measure Y expenditures, unless otherwise noted.

1. Procedure

From a population of all expenditures charged to Object Code #6000 in the general ledger (IFS) for the year ended June 30, 2012, we selected 10 expenditures for each of the General Obligation (GO) Bond Funds (Proposition BB, Measure K, Measure R, and Measure Y). We also selected an additional Information Technology Department (ITD) expenditure for each of the Measures K, R and Y. We obtained supporting invoices for the expenditures selected and performed the following procedures:

- 1.1 We tested the 43 invoices from the different Bond Funds selected in Procedure 1 to determine whether amounts expended were consistent with the work scope of each of the respective bond measures as presented to the voters and further defined by various Board approved Strategic Execution Plans and amendments.

Results

We read the ballot measures to understand the work scope and list of specific projects proposed to be financed with the proceeds of the GO Bonds. We then inspected the invoices supporting the samples tested to determine whether amounts expended were consistent with the work scope of each bond measure. As required by Section 3 of Proposition 39, a list of specific projects is to be presented to the voter in each ballot.



As such, we identified the projects to which the above expenditures were incurred and traced these projects to the Bond Project List presented in the Full Text of Ballot Measure K, R and Y (Proposition BB was issued under the traditional authority and not under Proposition 39; therefore references to specific school facilities projects were not required).

No exceptions were noted as a result of performing this procedure.

- 1.2** We tested the 43 invoices from the different GO Bond Funds selected in Procedure 1, to determine whether the corresponding projects or non-project allocations in each of the invoice were included in the related Strategic Execution Plan (SEP) or approved SEP amendments. If the invoice had multiple projects, up to 5 projects from the invoice were traced to the SEP.

Results

No exceptions were noted as a result of performing this procedure.

- 1.3** For the items selected in Procedure 1 above that represent construction payments, we determined whether the following requirements of GO Bond construction project payments procedures had been met:

- a) There are signatures on the required lines where an Owner Authorized Representative (OAR) validates that the contractor has certified the Application for Payment, and that the OAR has signed it.
- b) Payment package includes the Encumbrance/Payment request form, the Application for Payment, the Owner Assessment Summary, and other necessary supporting documents.

Results

There were 14 samples that we selected in Procedure 1 above which represented construction payments. No exceptions were noted as a result of performing this procedure.

- 1.4** For the items selected in Procedure 1 above, we determined whether the payment package was appropriately approved and reviewed for payment.

- a) The invoice was appropriately approved by a Los Angeles Unified School District employee on the Encumbrance/Payment Request form or other appropriate approval form.
- b) For each invoice, the related encumbrance/payment request was signed by the District FPPS Analyst for accuracy, completeness, and proper approvals prior to the processing of the payments.

Results

We noted 22 invoices with encumbrance/payment requests that were not signed by an FPPS Analyst for accuracy, completeness, and proper approvals prior to the processing of the payments. However, these invoices were properly reviewed and approved by authorized District personnel.

Management Response

Facilities Services Division delegated review of simple and routine payment requests to experienced Building Program Accounting Technicians as part of a continuous improvement process. FPPS Analyst review of this subset of payment requests was found suboptimal. FPPS Analyst time is focused on complex and high value contract management issues and payment requests. Facilities will update the procedures with this clarification.

2.

Procedure

From the population of all expenditures charged to Object Code #1000 and #2000 in IFS to the Proposition BB, Measure K, Measure R and Measure Y bond funds, collectively referred to as the GO Bond Funds, for the fiscal year ended June 30, 2012, we selected 10 total expenditures for all GO Bond Funds combined (Proposition BB, Measure K, Measure R, and Measure Y) and an additional ITD expenditure, to perform the following procedures:

2.1

We determined whether the items selected for Measure K, Measure R and Measure Y were spent on “administrator salaries” as referenced in the ballot measures, or “teacher salaries” as referenced in the State Proposition 39 as codified in the State Constitution, Article 13A, Section 1(b) (3) (A) and the California Attorney General.

Results

No exceptions were noted as a result of performing this procedure.

2.2

For each expenditure selected in Procedure 2 for Proposition BB, we determined that no bond funds were spent on “administrator salaries” as noted in the ballot measure.

Results

There were no expenditures in Object 1000 and 2000 for Proposition BB. This procedure is therefore, not applicable.

3. Procedure

From a population of all expenditures charged to Object Code #4000 and #5000 in IFS to all Proposition 39 Local Bond Funds (Measure K, Measure R and Measure Y) during the fiscal year ended June 30, 2012, we selected a sample of 10 expenditures and an additional one ITD expenditure. We obtained supporting invoices for the expenditures selected and performed the following procedures:

3.1

We reviewed the invoices to determine whether bond funds were used for “other day-to-day school operating expenses” as referenced in the State Proposition 39 as codified in the State Constitution, Article 13A, Section 1(b)(3)(A). We also determined whether the expenditures complied with the additional guidance provided by the California Attorney General.

Results

No exceptions were noted as a result of performing this procedure.

4. Procedure

From a population of all expenditures charged to Object Code #5000 and #6000 in IFS to all GO Bond Funds for the fiscal year ended June 30, 2012, we selected 10 expenditures corresponding to 11 individual program management/construction management firms. We noted that ITD does not employ construction management firms. We obtained supporting invoices for the expenditures selected and performed the following procedures:

- 4.1 We obtained a copy of the contract for each program management/construction management firm selected and we reviewed each invoice for consistency with contract terms.

Results

We obtained a list of programs or construction management firms utilized by the District from the Facilities Construction Contract Unit. We obtained a copy of the contract, including approved amendments, for each of the 10 selected program and construction management firms. We read the contract provisions specifically covering charges and payments.

In addition to the contract, we utilized the Program Support Services Invoicing Guidelines (Guidelines) designed by the Facilities Services as a guide, if applicable, in reviewing invoices to determine whether the information provided in the billing was consistent with the contract.

No exceptions were noted as a result of performing this procedure.

5. Procedure

From a population of all expenditures charged to Object Code #4000, #5000, and #6000 in IFS to all GO Bond Funds during the fiscal year ended June 30, 2012, we selected all expenditures from the samples selected in Procedure 3 and Procedure 4 above and obtained corresponding invoices. We tested the sample of invoices to determine compliance with District Bond Charging Procedures.

Results

In conjunction with the issuance of GO Bonds, the District drafted Bond Charging Procedures for Measures K, R and Y and Proposition BB to provide procedures relating to the distribution and assignment of costs. Based on the bond charging procedures, bond proceeds shall not be applied to any purposes other than those for which the bonds were issued. In addition, there are other general guidelines such as the intent of the voters as reflected in the Bond Project List, Strategic Execution Plan and the California School Accounting Manual. These are guidelines being referred to in the Bond Charging Procedures. We examined the invoices to determine compliance with District Bond Charging Procedures. No exceptions were noted as a result of performing this procedure.

6. Procedure

From a listing of change orders approved during the fiscal year ended June 30, 2012 generated from the Project Information Control (PIC) system, we selected 20 change orders from all GO Bond Funds. We obtained the District Change Order Procedures and performed the following review to determine compliance with the District's Change Order Procedures.

- 6.1 We compared the "Not to exceed Limits" to determine the compliance with the following procedures. According to the Change Order Procedures, individual change orders for New Construction work may not exceed 10% of the original contract price before securing

additional bids. For demolition, reconstruction or rehabilitation work of existing structures, individual change orders may exceed ten percent (10%) according to the Public Contract Code, but must not exceed twenty-five percent (25%) of the original contract price.

Results

No exceptions were noted as a result of performing this procedure.

6.2 We determined whether the change order package was submitted with the required documents in accordance with the Change Order checklist from the change order preparation requirements.

Results

No exceptions were noted as a result of performing this procedure.

6.3 For End User-initiated change orders, we verified whether the related scope changes did not commence nor the Owner Authorized Representative (OAR) did not process the Change Order until the following has been completed:

- End User-initiated Scope Change Request Form completed by OAR
- Review and approval by Construction Manager/ Senior Project Manager, Regional Construction Director and Deputy Director of Facilities Project Execution
- Request For Proposal (RFP) or Constructive Directive (CD) issued to Contractor.

Results

One (1) out of the 20 samples we tested is an End User-initiated change order. No exceptions were noted as a result of performing this procedure.

6.4 We verified compliance with the signatory requirements on the Change Order form.

Results

No exceptions were noted as a result of performing this procedure.

7. Procedure

We determined whether the total expenditures reported in the year-end "Statements of Bond Expenditures" for each GO Bond Fund measure agree with the corresponding Comprehensive Annual Financial Report (CAFR) bond fund expenditures for the year ended June 30, 2012.

Results

No exceptions were noted as a result of performing this procedure.

8. Procedure

We selected 10 New Construction projects from the June 2011 Facilities Services Division(FSD) Strategic Execution Plan(SEP) and verified the sample projects for compliance with the LAUSD School Construction Bond Citizens' Oversight Committee (BOC) Memorandum of Understanding for New Construction projects:

8.1 For each of the 10 projects, we compared the SEP project budgets from the June 2011 FSD SEP to the June 2012 FSD SEP. For each project with a 2012 FSD SEP project budget that is greater than 105% of the 2011 FSD SEP project budget, if applicable, we determined if the budget increase was reported to the BOC.

Results

No exceptions were noted as a result of performing this procedure.

8.2 For each of the 10 projects, we compared the project's scheduled school occupancy date from the 2011 FSD SEP to the 2012 FSD SEP. For each project with a 2012 FSD SEP school occupancy date that is later than the 2011 FSD SEP school occupancy date, if applicable, we determined if the project's schedule change in readiness for use as a school or campus element was reported to the BOC.

Results

No exceptions were noted as a result of performing this procedure.

8.3 For each of the 10 projects, we compared the project's scope from the 2011 FSD SEP to the 2012 FSD SEP. For each project with a 2012 FSD SEP scope that differs significantly from the 2011 FSD SEP scope, if applicable, we determined if the project's scope change was reported to the BOC.

Results

No exceptions were noted as a result of performing this procedure.

9. Procedure

We selected 10 samples of Modernization and Repair project types (such as classroom lighting, exterior paving and roofing) from the 2011 FSD SEP to verify compliance of sampled projects with the LAUSD School Construction Bond Citizens' Oversight Committee (BOC) Memorandum of Understanding for Existing Facilities Projects.

9.1 For each of the 10 project types selected, we compared the aggregate June 2011 FSD SEP Current Budget to the aggregate June 2012 FSD SEP Current Budget. For any project types selected with an aggregate 2012 FSD SEP Current Budget that is greater than 105% of the aggregate 2011 FSD SEP current budget, if applicable, we determined whether the budget increase was reported to the BOC.

Results

No exceptions were noted as a result of performing this procedure.

9.2 We selected one specific project from the June 2011 FSD SEP for each of the 10 project types selected in procedure 9.1. For each sampled project that has a June 2012 FSD SEP scheduled substantial completion date that is 12 months or greater than the June 2011 FSD SEP substantial completion date, if applicable, we determined whether the delay was reported to the BOC.



Results

No exceptions were noted as a result of performing this procedure.

9.3 For each project selected in procedure 9.2 from the June 2011 FSD SEP that was cancelled when compared to the June 2012 FSD SEP, if applicable, we determined whether the project cancelled was reported to the BOC.

Results

No exceptions were noted as a result of performing this procedure.

10. Procedure

We inquired of District management as to whether a survey of the compensation of managers of major construction programs and managers of major public and private facilities in comparable locations across the United States in both the public and private sector had been performed in accordance with the provision of Measure Y.

10.1 We determined whether Facilities Services Division management compensation survey was performed and presented to the Board of Education.

10.2 We determined whether the District declared a finding that the managers of the District's Facilities Services Division are being compensated accordingly.

Results

According to the provisions of Measure Y, managers of the Facilities Services Division shall have the educational and employment experience comparable to that of persons with similar responsibility in the private sector. To ensure that the District employs managers of the Division who are so qualified, the Board shall no less than biennially, cause a survey of compensation of managers of major construction programs and managers of major public and private sectors, and the Board shall make a finding that the managers of the District's Facilities Services Division are being compensated accordingly.

We inquired of District management and verified that there was no survey performed by the District's Personnel Commission in FY 11-12 that was aimed at addressing the provisions of Measure Y above. Consequently, the District failed to declare a finding that the managers of the District's Facilities Services Division are being compensated accordingly.

Based on the information gathered above, the District is not in compliance with the requirements of Measure Y.

Management Response

In light of the continued success of recruitment and selection for Facilities Services Division management positions, the District does not believe that Facilities management compensation levels are out of line with current industry standards for major public works projects. The District will consider options with respect to completion of the Compensation Study in the near future.

11. Procedure

We selected a sample of two (2) G.O. Bond Information Technology Division (ITD) project types, LAN Modernization and Radio Systems project, from the June 2011 ITD SEP. We reviewed the selected project types for compliance with the LAUSD School Construction Bond Citizens' Oversight Committee (BOC) Memorandum of Understanding for ITD projects:

11.1 For each of the 2 project types selected in procedure 11, we compared the aggregate June 2011 ITD SEP Current Budget to the aggregate 2012 ITD SEP Current Budget. For each of the 2 project types selected with an aggregate 2012 ITD SEP Current Budget that is greater than 105% of the aggregate 2011 ITD SEP Current Budget, if applicable, we determined whether the budget increase was reported to the BOC.

Results

The aggregate budget for each of the two project types selected was presented differently in the 2011 ITD SEP, compared to the 2012 ITD SEP. The 2011 ITD Budget included completed projects and presented separately the related Quality Assurance and Project Management costs. In the 2012 ITD SEP, the budgets for these two project types included Quality Assurance and Project Management Costs and only presented ongoing projects. Therefore, the two SEP Budgets are not comparable and consequently, this procedure cannot be performed.

11.2 We attempted to select one specific project (group of schools within a contract for LAN Modernization or the entire Radio Systems project) from the June 2011 ITD SEP for each of the 2 project types selected in procedure 11. For each project selected from the June 2011 ITD SEP that has a scheduled substantial completion date that is 12 months or greater than the 2012 ITD SEP substantial completion date, if applicable, we determined whether the delay was reported to the BOC.

Results

The itemization of the projects listed in the 2011 ITD SEP is not in the same format and structure as how the projects are listed in the 2012 ITD SEP. Therefore, the projects are not comparable and this procedure cannot be performed.

11.3 For each project selected in procedure 11.2 from the June 2011 ITD SEP that was cancelled when compared to the 2012 ITD SEP, if applicable, we determined whether the project cancelled was reported to the BOC.

Results

Procedure cannot be performed. See Results under Procedure 11.2.

We were not engaged to, and did not conduct an examination, the objective of which would be the expression of an opinion on the District's administration of the Proposition BB, Measure K, Measure R and Measure Y School Bond Construction Program. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

The District's written response to the exceptions identified in the report has not been subjected to auditing procedures and accordingly, we do not express an opinion on it.



The report is intended only for the information and use of the Board of Education, management, and members of the Citizens' Oversight Committee of the Los Angeles Unified School District and is not intended to be, and should not be used by anyone other than these specified parties

Shingora & Shingora

January 17, 2013



SIMPSON & SIMPSON
CERTIFIED PUBLIC ACCOUNTANTS

FOUNDING PARTNERS
BRAINARD C. SIMPSON, CPA
MELBA W. SIMPSON, CPA

3600 WILSHIRE BOULEVARD, SUITE 1710

LOS ANGELES, CA 90010

(213) 736-6664 TELEPHONE

(213) 736-6692 FAX

www.simpsonandsimpsoncpas.com

Independent Auditor's Report

The Honorable Board of Education
Los Angeles Unified School District:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Los Angeles Unified School District (the District), which collectively comprise the District's basic financial statements, as of and for the year ended June 30, 2012 and have issued our report thereon dated December 14, 2012. We have also audited the expenditures incurred included in the accompanying statement of bond expenditures of the **Proposition BB School Bond Construction Program** of the District for the period from July 1, 2007 through June 30, 2012. Such statement of bond expenditures is the responsibility of the District's management. Our responsibility is to express an opinion on the expenditures incurred included in the accompanying statement of bond expenditures based on our audit. The expenditures incurred included in the statement of bond expenditures from April 8, 1997 (inception) through June 30, 2007 were audited by other auditors whose report dated May 15, 2009 expressed an unqualified opinion on that statement.

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 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 overall financial statement presentation. We believe that our audit and the report of other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audit and the report of other auditors, the statement of bond expenditures referred to above presents fairly, in all material respects, the expenditures incurred by the Proposition BB School Bond Construction Program of the Los Angeles Unified School District for the period from April 8, 1997 (inception) through June 30, 2012 in conformity with U.S. generally accepted accounting principles.

January 17, 2013

LOS ANGELES UNIFIED SCHOOL DISTRICT
PROPOSITION BB SCHOOL BOND CONSTRUCTION PROGRAM
Statement of Bond Expenditures
Period from April 8, 1997 (Inception) through June 30, 2012

Cost Category	Adjusted Budget (Unaudited)	Actual Expenditures Incurred			
		April 8, 1997 (Inception) through June 30, 2011	Expenditures Year Ended June 30, 2012	Total Expenditures through June 30, 2012	Unexpended Balance (Unaudited)
New Construction	\$ 825,112,719	\$ 823,827,950	\$ 1,123,857	\$ 824,951,807	\$ 160,912
School Modernization / Repairs	1,726,371,215	1,706,724,463	1,651,153	1,708,375,616	17,995,599
Office of Inspector General	3,750,000	3,750,000	-	3,750,000	-
Others:					
Employee Benefits	3,171,595	3,171,329	266	3,171,595	-
Prior Year Adjustments	166,739,358	142,454,523	24,284,835	166,739,358	-
COPs Defeasance	15,344,829	15,344,829	-	15,344,829	-
Cost of Issuance	1,136,865	1,136,865	-	1,136,865	-
Total Others	186,392,647	162,107,546	24,285,101	186,392,647	-
Total Proposition BB Bond Expenditures	\$ 2,741,626,581	\$ 2,696,409,959	\$ 27,060,111	\$ 2,723,470,070	\$18,156,511

See accompanying notes to statement of bond expenditures.

LOS ANGELES UNIFIED SCHOOL DISTRICT
PROPOSITION BB SCHOOL BOND CONSTRUCTION PROGRAM

Notes to Statement of Bond Expenditures
Period from April 8, 1997 (inception) through June 30, 2012

(1) Proposition BB School Bond Construction Program Background

Proposition BB Initiative (Proposition BB) authorized the Los Angeles Unified School District (District) to issue \$2.4 billion in general obligation bonds. Bond proceeds are to be utilized for projects such as the repair of safety hazards, asbestos removal, installation of air-conditioning, making classrooms accessible to the disabled, upgrading security, and the construction of new classrooms. Proposition BB specifically states that no bond proceeds are to be used for administrator salaries.

The Proposition BB School Bond Construction Program (Program) is intended to provide needed health and safety improvements to more than 800 deteriorating schools and 15,000 buildings and to match state funds for new construction and modernization projects. The District Board of Education has established a Citizen's Oversight Committee to ensure that the proceeds of the Proposition BB School Bond Construction Program bond issuances are used for the purposes stated in the resolution, which placed the Proposition BB on the 1997 ballot.

(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)

The amounts included within the adjusted budget (unaudited) column in the accompanying statement of bond expenditures represent the prior year expenditures from April 8, 1997 (inception) through June 30, 2011 and FY 2011-12 budget authority requested from the Board of Education for 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 expenditures incurred columns in the accompanying statement of bond expenditures represent actual expenditures paid and accrued by the District for the period from April 8, 1997 (inception) through June 30, 2012.

c) Unexpended Balance (Unaudited)

The amounts included within the unexpended 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, 2012 column.

LOS ANGELES UNIFIED SCHOOL DISTRICT
PROPOSITION BB SCHOOL BOND CONSTRUCTION PROGRAM

Notes to Statement of Bond Expenditures

Period from April 8, 1997 (inception) through June 30, 2012

d) Cost Category

The major cost categories in the statement of bond expenditures for Proposition BB represent bond programs funded by the bond. The cost category "Others" refer to all expenditures that have been recorded without adequate indicators to allow their proper classifications into the three major cost categories.

Employee benefits, as an example, are pension benefits incurred by the District and proportionally allocated to the bond fund for the portion incurred by the bond fund based on the number of employees assigned to the bond fund. There is no cost-effective basis to allocate these expenses at the program level.

e) Prior Year Adjustments

The District's Capital Improvement Program is financed with 15 capital fund sources. The accompanying statement of bond expenditures for Proposition BB represents expenditures for a single source of funds within the Program's overall funding strategy. Due to the timing of revenue streams for the various funding sources, project expenditures may be financed with eligible funding sources with adequate cash balances, such as Proposition BB, until the revenues for the project's other fund sources are realized. Upon recognition of the project's full funding strategy, expenditures are subsequently transferred to appropriate funding sources for cost accounting requirements. For expenditures recorded in prior fiscal years, expenditure transfers between funds are converted to prior year adjustments and interfund transfers in compliance with financial accounting requirements.

The aggregate of interfund transfers in, for all four bonds combined, which amounts to about \$1.7 billion generally represent the use of bond funds and subsequent reimbursements from state grant revenues. The District has been able to leverage the four local bonds to obtain approximately \$5.1 billion in grant apportionments from the state lease purchase and school facility programs. The state programs require the commitment of local funds prior to release of grant revenues.

Accruals are included in prior year adjustments. Accruals represent expenditures incurred but have not been paid at the end of the fiscal year; therefore, have not been classified into the categories they belong under. In the following fiscal year when they are paid, the actual expenditures are recorded in the appropriate cost category while the transaction to reverse the corresponding accrual amount as well as the clearing of accruals at the end of the fiscal year are recorded in the prior year adjustments cost category.

LOS ANGELES UNIFIED SCHOOL DISTRICT
PROPOSITION BB SCHOOL BOND CONSTRUCTION PROGRAM
Notes to Statement of Bond Expenditures
Period from April 8, 1997 (inception) through June 30, 2012

(3) Fund Balances from Inception to Fiscal Year Ended June 30, 2012 (Unaudited)

The following is a summary of the budgeted revenues and expenditures for the Program from April 8, 1997 (inception) through June 30, 2012:

Actual:	
Bonds Issued - FY 1997-98 through FY 2002-03 (final issuance)	\$ 2,400,000,000
Interest Income - FY 1997-98 through FY 2010-11	176,323,746
Interest Income - FY 2011-12	370,617
Local Income - FY 2001-02	93,057
Interfund Transfer In - OFS FY 2006-07 through FY 2010-11	143,470,614
Interfund Transfer In - OFS FY 2011-12	24,368,547
Total Bonds issued, Interest /Local Income/OFS as of June 30, 2012	\$ 2,744,626,581
Less: Reserves- Relocation Revolving Fund	(3,000,000)
Total Sources of Funds (net of Reserves), June 30, 2012	\$ 2,741,626,581
Less: Uses of Funds (Expenditures) from Inception through June 30, 2012	(2,723,470,070)
Fund Balances, June 30, 2012	<u>\$ 18,156,511</u>



SIMPSON & SIMPSON
CERTIFIED PUBLIC ACCOUNTANTS

FOUNDING PARTNERS
BRANARD C. SIMPSON, CPA
MELBA W. SIMPSON, CPA

3600 WILSHIRE BOULEVARD, SUITE 1710
LOS ANGELES, CA 90010
(213) 736-6664 TELEPHONE
(213) 736-6692 FAX
www.simpsonandsimpsoncpas.com

Independent Auditor's Report

The Honorable Board of Education
Los Angeles Unified School District:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Los Angeles Unified School District (the District), which collectively comprise the District's basic financial statements, as of and for the year ended June 30, 2012 and have issued our report thereon dated December 14, 2012. We have also audited the expenditures incurred included in the accompanying statement of bond expenditures of the **Measure K School Bond Construction Program** of the District for the period from July 1, 2007 to June 30, 2012. Such statement of bond expenditures is the responsibility of the District's management. Our responsibility is to express an opinion on the expenditures incurred included in the accompanying statement of bond expenditures based on our audit. The expenditures incurred included in the statement of bond expenditures from November 5, 2002 (inception) through June 30, 2007 were audited by other auditors whose report dated May 15, 2009 expressed an unqualified opinion on that statement.

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 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 and the report of other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audit and the report of other auditors, the statement of bond expenditures referred to above presents fairly, in all material respects, the expenditures incurred by the Measure K School Bond Construction Program of the Los Angeles Unified School District for the period from November 5, 2002 (inception) to June 30, 2012, in conformity with U.S. generally accepted accounting principles.

Simpson & Simpson

January 17, 2013

LOS ANGELES UNITED SCHOOL DISTRICT
MEASURE K SCHOOL BOND CONSTRUCTION PROGRAM
Statement of Bond Expenditures
Period from November 5, 2002 (Inception) through June 30, 2012

Cost Category	Adjusted Budget (Unaudited)	Actual Expenditures Incurred			
		November 5, 2002 (Inception) through June 30, 2011	Expenditure Year Ended June 30, 2012	Total Expenditure through June 30, 2012	Unexpended Balance (Unaudited)
New Construction	\$ 2,540,726,667	\$ 2,416,939,034	\$ -	\$ 2,416,939,034	\$ 123,787,633
School Modernization / Repairs	623,173,170	528,642,567	14,517,243	543,159,810	80,013,360
Early Childhood Education	80,000,000	74,294,210	-	74,294,210	5,705,790
Information Technology Division	127,500,000	81,000,000	-	81,000,000	46,500,000
Library Services	38,000,000	31,247,915	1,816,723	33,064,638	4,935,362
Charter	45,500,000	28,477,495	5,204,982	33,682,477	11,817,523
Joint Use	10,000,000	9,386,087	-	9,386,087	613,913
Office of Inspector General	11,250,000	11,249,690	-	11,249,690	310
Others:					
Employee Benefits	3,739,539	3,685,328	54,211	3,739,539	-
Prior Year Adjustments	431,843,957	366,656,437	65,187,520	431,843,957	-
Cost of Issuance	5,658,218	5,658,218	-	5,658,218	-
Total Others	441,241,714	375,999,983	65,241,731	441,241,714	-
Total Measure K Bond Expenditures	\$ 3,917,391,551	\$ 3,557,236,981	\$ 86,780,679	\$ 3,644,017,660	\$ 273,373,891

See accompanying notes to statement of bond expenditures.

LOS ANGELES UNIFIED SCHOOL DISTRICT
MEASURE K SCHOOL BOND CONSTRUCTION PROGRAM

Notes to Statement of Bond Expenditures

Period from November 5, 2002 (inception) to June 30, 2012

(1) Measure K School Bond Construction Program Background

The Measure K School Bond Construction Program (Program) is intended to provide the Los Angeles Unified School District (District) funding for continued improvements to schools and to build new neighborhood schools that will provide an additional 112,000 new seats for children. 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, new parks and libraries.

The Board of Education has established a School Construction Bond Citizens' Oversight Committee to ensure that the proceeds of the Program's bond issuances 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. \$3.35 billion has since been issued between February 2003 and June 2012. 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 Program must be included in the Strategic Execution Plans approved by the Board of Education. The District has established General Obligation Bond Charging Guidelines to outline the allowable expenditures for the Program. Such guidelines specifically state that no funds will be spent for teacher, administrator salaries, or for operating expenses.

All projects are managed by District-approved project managers. Each project manager is 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)

The amounts included within the adjusted budget (unaudited) column in the accompanying statement of bond expenditures represent the prior year expenditures from November 5, 2002 (inception) through June 30, 2011 and FY 2011-12 budget authority requested from the Board of Education for 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 expenditures incurred column in the accompanying statement of bond expenditures represent actual expenditures paid and accrued by the District for the period from November 5, 2002 (inception) through June 30, 2012, adjusted by discounts received from the vendors.

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

Notes to Statement of Bond Expenditures

Period from November 5, 2002 (inception) to June 30, 2012

c) Unexpended Balances (Unaudited)

The amounts included within the unexpended 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, 2012 column.

d) Cost Category

The major cost categories in the statement of bond expenditures for Measure K represent bond programs funded by the bond. The cost category “Others” refer to all expenditures that have been recorded without adequate indicators to allow their proper classifications into the major cost categories.

Employee benefits, as an example, are pension benefits incurred by the District and proportionally allocated to the bond fund for the portion incurred by the bond fund based on the number of employees assigned to the bond fund. There is no cost-effective basis to allocate these expenses at the program level.

e) Prior Year Adjustments

The District’s Capital Improvement Program is financed with 15 capital fund sources. The accompanying statement of bond expenditures for Measure K represents expenditures for a single source of funds within the Program’s overall funding strategy. Due to the timing of revenue streams for the various funding sources, project expenditures may be financed with eligible funding sources with adequate cash balances, such as Measure K, until the revenues for the project’s other fund sources are realized. Upon recognition of the project’s full funding strategy, expenditures are subsequently transferred to appropriate funding sources for cost accounting requirements. For expenditures recorded in prior fiscal years, expenditure transfers between funds are converted to prior year adjustments and interfund transfers in compliance with financial accounting requirements.

The aggregate of interfund transfers in, for all four bonds combined, which amounts to about \$1.7 billion generally represent the use of bond funds and subsequent reimbursements from state grant revenues. The District has been able to leverage the four local bonds to obtain approximately \$5.1 billion in grant apportionments from the state lease purchase and school facility programs. The state programs require the commitment of local funds prior to release of grant revenues.

Accruals are included in prior year adjustments. Accruals represent expenditures incurred but have not been paid at the end of the fiscal year; therefore, have not been classified into the categories they belong under. In the following fiscal year when they are paid, the actual expenditures are recorded in the appropriate cost category while the transaction to reverse the corresponding accrual amount as well as the clearing of accruals at the end of the fiscal year are recorded in the prior year adjustments cost category.

LOS ANGELES UNIFIED SCHOOL DISTRICT
MEASURE K SCHOOL BOND CONSTRUCTION PROGRAM
Notes to Statement of Bond Expenditures
Period from November 5, 2002 (inception) to June 30, 2012

(3) Fund Balances from Inception to Fiscal Year Ended June 30, 2012 (Unaudited)

The following is a summary of the sources of funds and uses of funds for the Program from November 5, 2002 (inception) through June 30, 2012:

Actual:	
Bonds Issued - FY 2002-03 through FY 2009-10 (final issuance)	\$ 3,350,000,000
Interest Income - FY 2002-03 through FY 2009-11	131,661,887
Interest Income - FY 2011-12	2,622,036
Interfund Transfer In - OFS FY 2006-07 through FY 2009-11	350,164,701
Interfund Transfer In - OFS FY 2011-12	78,572,239
Adjustments - Bond Premium, net of COI FY 2006-07	5,482,312
Adjustments - Cost of Issuance/Underwriter's Discount FY 2008-09	<u>(1,111,624)</u>
Total Sources of Funds, June 30, 2012	\$ 3,917,391,551
Less: Uses of Funds (Expenditures) from Inception through June 30, 2012	<u>(3,644,017,660)</u>
Fund Balances, June 30, 2012	<u>\$ 273,373,891</u>



SIMPSON & SIMPSON
CERTIFIED PUBLIC ACCOUNTANTS

FOUNDING PARTNERS
BRAINARD C. SIMPSON, CPA
MELBA W. SIMPSON, CPA

3600 WILSHIRE BOULEVARD, SUITE 1710

LOS ANGELES, CA 90010

(213) 736-6664 TELEPHONE

(213) 736-6692 FAX

www.simpsonandsimpsoncpas.com

Independent Auditor's Report

The Honorable Board of Education
Los Angeles Unified School District:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Los Angeles Unified School District (the District), which collectively comprise the District's basic financial statements, as of and for the year ended June 30, 2012 and have issued our report thereon dated December 14, 2012. We have also audited the expenditures incurred included in the accompanying statement of bond expenditures of the **Measure R School Bond Construction Program** of the District for the period from July 1, 2007 to June 30, 2012. Such statement of bond expenditures is the responsibility of the District's management. Our responsibility is to express an opinion on the expenditures incurred included in the accompanying statement of bond expenditures based on our audit. The expenditures incurred included in the statement of bond expenditures from March 2, 2004 (inception) through June 30, 2007 were audited by other auditors whose report dated May 15, 2009 expressed an unqualified opinion on that statement.

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 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 and the report of other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audit and the report of other auditors, the statement of bond expenditures referred to above presents fairly, in all material respects, the expenditures incurred by 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, 2012, in conformity with U.S. generally accepted accounting principles.

January 17, 2013



LOS ANGELES UNIFIED SCHOOL DISTRICT
MEASURE R SCHOOL BOND CONSTRUCTION PROGRAM
Statement of Bond Expenditures
Period from March 2, 2004 (Inception) through June 30, 2012

Cost Category	Adjusted Budget (Unaudited)	Actual Expenditures Incurred				Unexpended Balance (Unaudited)
		March 2, 2004 (Inception) through June 30, 2011	Expenditure Year Bated June 30, 2012	Total Expenditure through June 30, 2012		
New Construction	\$ 1,646,864,623	\$ 1,092,097,603	\$ -	\$ 1,092,097,603	\$ 554,767,020	
School Modernization / Repairs	1,545,601,519	1,275,366,614	4,554,473	1,279,921,087	265,680,432	
Adult Education	25,000,000	17,996,734	6,184,135	24,180,869	819,131	
Early Childhood Education	58,445,609	44,305,273	7,561,032	51,866,305	6,579,304	
Information Technology Division	171,039,000	72,420,121	10,503,732	82,923,853	88,115,147	
Library Services	53,000,000	13,963,592	10,848,106	24,811,698	28,188,302	
Charter	52,000,000	16,366,781	15,579,932	31,946,713	20,053,287	
Joint Use	20,000,000	16,305,184	930,056	17,235,240	2,764,760	
Office of Inspector General	10,000,000	8,734,057	35,857	8,769,914	1,230,086	
Others:						
Employee Benefits	4,145,090	3,669,781	475,309	4,145,090	-	
Prior Year Adjustments	836,473,267	577,105,236	259,368,031	836,473,267	-	
COP's Defeasance	150,000,000	149,994,712	-	149,994,712	5,288	
Cost of Issuance	11,620,953	11,620,953	-	11,620,953	-	
Total Others	1,002,239,310	742,390,682	259,843,340	1,002,234,022	5,288	
Total Measure R Bond Expenditures	\$ 4,584,190,061	\$ 3,299,946,641	\$ 316,040,663	\$ 3,615,987,304	\$ 968,202,757	

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, 2012

(1) Measure R School Bond Construction Program Background

The Measure R School Bond Construction Program (Program) or "the Safe and Healthy Neighborhood Schools Improvement Act of 2004" is intended to provide the Los Angeles Unified School District (District) 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 Program's bond issuances 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. \$3.63 billion has since been issued between March 2004 and June 2012. 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 Program must be included in the Strategic Execution Plans approved by the Board of Education. The District has established General Obligation Bond Charging Guidelines to outline the allowable expenditures for the Program. Such guidelines specifically state that no funds will be spent for teacher or administrator salaries or for operating expenses.

(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)

The amounts included within the adjusted budget (unaudited) column in the accompanying statement of bond expenditures represent the prior year expenditures from March 2, 2004 (inception) through June 30, 2011 and FY 2011-12 budget authority requested from the Board of Education for 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 expenditures incurred column in the accompanying statement of bond expenditures represent actual expenditures paid and accrued by the District for the period from March 2, 2004 (inception) through June 30, 2012, adjusted by discounts received from the vendors.

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, 2012

(c) *Unexpended Balance (Unaudited)*

The amounts included within the unexpended balances (unaudited) column in the accompanying statement of bond expenditures costs represent the difference between the adjusted budget (unaudited) column and the total bond project expenditures through June 30, 2012 column.

(d) *Cost Category*

The major cost categories in the statement of bond expenditures for Measure R represent bond programs funded by the bond. The cost category "Others" refer to all expenditures that have been recorded without adequate indicators to allow their proper classifications into the major cost categories.

Employee benefits, as an example, are pension benefits incurred by the District and proportionally allocated to the bond fund for the portion incurred by the bond fund based on the number of employees assigned to the bond fund. There is no cost-effective basis to allocate these expenses at the program level.

(e) *Prior Year Adjustments*

The District's Capital Improvement Program is financed with 15 capital fund sources. The accompanying statement of bond expenditures for Measure R represents expenditures for a single source of funds within the Program's overall funding strategy. Due to the timing of revenue streams for the various funding sources, project expenditures may be financed with eligible funding sources with adequate cash balances, such as Measure R, until the revenues for the project's other fund sources are realized. Upon recognition of the project's full funding strategy, expenditures are subsequently transferred to appropriate funding sources for cost accounting requirements. For expenditures recorded in prior fiscal years, expenditure transfers between funds are converted to prior year adjustments and interfund transfers in compliance with financial accounting requirements.

The aggregate of interfund transfers in, for all four bonds combined, which amounts to about \$1.7 billion generally represent the use of bond funds and subsequent reimbursements from state grant revenues. The District has been able to leverage the four local bonds to obtain approximately \$5.1 billion in grant apportionments from the state lease purchase and school facility programs. The state programs require the commitment of local funds prior to release of grant revenues

Accruals are included in prior year adjustments. Accruals represent expenditures incurred but have not been paid at the end of the fiscal year; therefore, have not been classified into the categories they belong under. In the following fiscal year when they are paid, the actual expenditures are recorded in the appropriate cost category while the transaction to reverse the corresponding accrual amount as well as the clearing of accruals at the end of the fiscal year are recorded in the prior year adjustments cost category.

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, 2012

(3) Fund Balances from Inception to Fiscal Year Ended June 30, 2012 (Unaudited)

The following is a summary of the sources of funds and uses of funds for the Program from March 2, 2004 (inception) through June 30, 2012:

Actual:	
Bond Issued - FY 2004-05 through FY 2009-10	\$ 3,634,795,000
Adjustments - Bond Premium, net of COI FY 2004-05 through FY 2006-07	11,082,578
Adjustments - Cost of Issuance/Underwriter's Discount FY 2008-09	(2,447,946)
Interest Income - FY 2005-06 through FY 2009-11	105,019,723
Interest Income - FY 2011-12	17,753,109
Interfund Transfer In - OFS FY 2005-06 through FY 2009-11	303,771,973
Interfund Transfer In - OFS FY 2011-12	514,215,624
Total Sources of Funds, June 30, 2012	\$ 4,584,190,061
Less: Uses of Funds (Expenditures) from Inception through June 30, 2012	(3,615,987,304)
Fund Balances, June 30, 2012	<u>\$ 968,202,757</u>



SIMPSON & SIMPSON
CERTIFIED PUBLIC ACCOUNTANTS

FOUNDING PARTNERS
BRAINARD C. SIMPSON, CPA
MELBA W. SIMPSON, CPA

3600 WILSHIRE BOULEVARD, SUITE 1710
LOS ANGELES, CA 90010
(213) 736-6664 TELEPHONE
(213) 736-6692 FAX
www.simpsonandsimpsoncpas.com

Independent Auditor's Report

The Honorable Board of Education
Los Angeles Unified School District:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Los Angeles Unified School District (the District), which collectively comprise the District's basic financial statements, as of and for the year ended June 30, 2012 and have issued our report thereon dated December 14, 2012. We have also audited the expenditures incurred included in the accompanying statement of bond expenditures of the **Measure Y School Bond Construction Program** of the District for the period from July 1, 2007 to June 30, 2012. Such statement of project expenditures is the responsibility of the District's management. Our responsibility is to express an opinion on the expenditures incurred included in the accompanying statement of bond expenditures based on our audit. The expenditures incurred included in the statement of bond expenditures from November 8, 2005 (inception) through June 30, 2007 were audited by other auditors whose report dated May 15, 2009 expressed an unqualified opinion on that statement.

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 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 and the report of other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audit and the report of other auditors, the statement of bond expenditures referred to above presents fairly, in all material respects, the 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, 2012 in conformity with U.S. generally accepted accounting principles.

January 17, 2013



LOS ANGELES UNIFIED SCHOOL DISTRICT
MEASURE Y SCHOOL BOND CONSTRUCTION PROGRAM
Statement of Bond Expenditures
Period from November 8, 2005 (inception) to June 30, 2012

Cost Category	Actual Expenditures Incurred				
	Adjusted Budget (Unaudited)	November 8, 2005 (Inception) through June 30, 2011	Expenditure Year Ended June 30, 2012	Total Expenditure through June 30, 2012	Unexpended Balance (Unaudited)
New Construction	\$ 2,320,199,554	\$ 961,547,621	\$ 840,254,967	\$ 1,801,802,588	\$ 518,396,966
School Modernization / Repairs	640,283,431	450,517,128	52,664,443	503,181,571	137,101,860
Achievement Gap	10,000,000	8,710,137	26,487	8,736,624	1,263,376
Adult Education	50,000,000	22,026,088	13,356,616	35,382,704	14,617,296
Early Childhood Education	60,000,000	37,294,854	10,053,520	47,348,374	12,651,626
Information Technology Division	148,461,000	26,966,761	20,127,929	47,094,690	101,366,310
Library Services	-	-	-	-	-
Joint Use and Innovation	90,000,000	43,320,031	21,900,314	65,220,345	24,779,655
Charter	50,000,000	22,338,118	3,080,102	25,418,220	24,581,780
Transportation (Buses)	25,000,000	20,850,095	311,015	21,161,110	3,838,890
Office of Inspector General	10,000,000	2,098,139	2,603,951	4,702,090	5,297,910
Others:					
Employee Benefits	1,682,496	1,459,050	223,446	1,682,496	-
Prior Year Adjustments	345,481,563	316,329,967	29,151,596	345,481,563	-
COP's Defiance	193,196,010	190,849,074	2,346,936	193,196,010	-
Cost of Issuance	8,182,550	8,182,550	-	8,182,550	-
Total Others	548,542,619	516,820,641	31,721,978	548,542,619	-
Total Measure Y Bond Expenditures	\$ 3,952,486,004	\$ 2,112,489,613	\$ 996,101,322	\$ 3,108,590,935	\$ 843,895,669

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, 2012

(1) Measure Y School Bond Construction Program Background

The Measure Y School Bond Construction Program (Program) or "the Safe and Healthy Neighborhood Schools Repair and Construction Measure of 2005" is intended to provide the Los Angeles Unified School District (District) funding to continue the repair and modernization of 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 Program's bond issuances 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. \$3.54 billion has since been issued between November 2005 and June 2012. 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 non-air-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 Program must be included in the Strategic Execution Plans approved by the Board of Education. The District has established General Obligation Bond Charging Guidelines to outline the allowable expenditures for the Program. Such guidelines specifically state that no funds will be spent for teacher, administrator salaries or for operating expenses.

(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)

The amounts included within the adjusted budget (unaudited) column in the accompanying statement of bond expenditures represent the prior year expenditures from November 8, 2005 (inception) through June 30, 2011 and FY 2011-12 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.

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, 2012

(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 District for the period from November 8, 2005 (inception) through June 30, 2012 adjusted by discounts received from the vendors.

(c) Unexpended Balance (Unaudited)

The amounts included within the unexpended 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, 2012 column.

(d) Cost Category

The major cost categories in the statement of bond expenditures for Measure Y represent bond programs funded by the bond. The cost category "Others" refer to all expenditures that have been recorded without adequate indicators to allow their proper classifications into the major cost categories.

Employee benefits, as an example, are pension benefits incurred by the District and proportionally allocated to the bond fund for the portion incurred by the bond fund based on the number of employees assigned to the bond fund. There is no cost-effective basis to allocate these expenses at the program level.

(e) Prior Year Adjustments

The District's Capital Improvement Program is financed with 15 capital fund sources. The accompanying statement of bond expenditures for Measure Y represents expenditures for a single source of funds within the Program's overall funding strategy. Due to the timing of revenue streams for the various funding sources, project expenditures may be financed with eligible funding sources with adequate cash balances, such as Measure Y, until the revenues for the project's other fund sources are realized. Upon recognition of the project's full funding strategy, expenditures are subsequently transferred to appropriate funding sources for cost accounting requirements. For expenditures recorded in prior fiscal years, expenditure transfers between funds are converted to prior year adjustments and interfund transfers in compliance with financial accounting requirements.

The aggregate of interfund transfers in, for all four bonds combined, which amounts to about \$1.7 billion generally represent the use of bond funds and subsequent reimbursements from state grant revenues. The District has been able to leverage the four local bonds to obtain approximately \$5.1 billion in grant apportionments from the state lease purchase and school facility programs. The state programs require the commitment of local funds prior to release of grant revenues

Accruals are included in prior year adjustments. Accruals represent expenditures incurred but have not been paid at the end of the fiscal year; therefore, have not been classified into the categories they belong under. In the following fiscal year when they are paid, the actual expenditures are recorded in the appropriate cost category while the transaction to reverse the corresponding accrual amount as well as the clearing of accruals at the end of the fiscal year are recorded in the prior year adjustments cost category.

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, 2012

(3) Fund Balances from Inception to Fiscal Year Ended June 30, 2012 (Unaudited)

The following is a summary of the sources of funds and uses of funds for the Program from November 8, 2005 (inception) to June 30, 2012:

Actual:	
Bonds Issued - FY 2005-06 through FY 2009-10	\$ 3,542,235,000
Adjustments - Bond Premium, net of Cost of Issuance FY 2005-06	6,614,884
Adjustments - Cost of Issuance/Underwriter's Discount FY 2008-09	(667,495)
Interest Income - FY 2005-06 through FY 2010-11	76,125,621
Interest Income - FY 2011-12	12,911,836
Local Income - FY 2007-08 through FY 2010-11	2,695,780
Local Income - FY 2011-12	10,435,351
Interfund Transfer In - Other Financing Sources FY 2005-06 through FY 2010-11	251,100,957
Interfund Transfer In - Other Financing Sources FY 2011-12	51,034,670
Total Sources of Funds, June 30, 2012	\$ 3,952,486,604
Less: Uses of Funds (Expenditures) from Inception through June 30, 2012	(3,108,590,935)
Fund Balances, June 30, 2012	<u>\$ 843,895,669</u>