

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, 2011 and Statements of Bond Expenditures
from Inception through June 30, 2011
(With Independent Auditor's Reports Thereon)



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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, 2011. 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, 2011, we selected 10 expenditures for each of the GO Bond Funds (Proposition BB, Measure K, Measure R, and Measure Y). We obtained supporting invoices for the expenditures selected and performed the following procedures:

- 1.1 We tested the 10 invoices from each GO Bond Fund 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 10 invoices from each GO Bond Fund selected in Procedure 1, to determine whether the corresponding projects or non-project allocations 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 22 samples that we selected in Procedure 1 above which represented construction payments and we noted one (1) out of the samples tested was not properly signed by the Owner Authorized Representative (OAR).

Management's Response

Management concurs. The Application for Payment was not approved by the OAR. However the Application for Payment was certified by the Contractor and the Encumbrance/Payment request form was approved by the Regional Construction Director.

- 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 FCIU Analyst for accuracy, completeness, and proper approvals prior to the processing of the payments.



Results

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

2. Procedure

From the population of all expenses 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, 2011, we selected 10 total expenditures for all GO Bond Funds combined (Proposition BB, Measure K, Measure R, and Measure Y), 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

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

3. Procedure

From a population of all expenditures charged to Object Code #4000 and #5000 in IFS to all GO Bond Funds during the fiscal year ended June 30, 2011, we selected a sample of 10 expenditures for all GO Bond Funds combined (Proposition BB, Measure K, Measure R, and Measure Y). 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, 2011, we selected 10 total expenditures corresponding to 10 individual program management/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, 2011, 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, 2011 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

13 out of the 20 samples we tested do not have supporting Verification of Funding, as required by the Change Order Procedures.

Management's Response

The Verification of Funding and the Impact Statement are supporting documents referenced in the version of the Change Order Procedures reviewed. The document requirements have been modified on the subsequent draft revision of the procedures. These two documents are functions of contract / contingency management and project budget modification. These activities, performed separate from and in advance of change request documents, do not have a one-to-one relationship with individual Change Orders.

- 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 appeared to be the End User-initiated change order. However, we noted that the form was incorrectly prepared and requested by the OAR, instead of the end user. Upon verification, the change order was not initiated by the end users and therefore, is not subject to the above requirements. 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, 2011.



Results

We obtained a "Statement of Bond Expenditures" for each of the GO Bond funds and agreed the CAFR bond fund expenditures for the year ended June 30, 2011. The statements of bond expenditures present expenditures on a program level while the CAFR expenditures were presented using the natural expenditure classification. As a result, the expenditures between the two reports could be agreed only on an aggregate rather than on a line by line basis.

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

8. Procedure

We selected a sample of 10 GO Bond projects from the 2010 New Construction 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 January 2010 New Construction Strategic Execution Plan to the June 2011 SEP. For each project with a 2011 SEP project budget that is greater than 105% of the 2010 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 2010 New Construction SEP to the 2011 SEP. For each project with a 2011 SEP school occupancy date that is later than the 2010 New Construction 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 2010 New Construction SEP to the 2011 SEP. For each project with a 2011 SEP scope that differs significantly from the 2010 New Construction 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 attempted to select 10 samples of GO Bond project types (such as classroom lighting, exterior paving and roofing) from the 2009 Existing Facilities 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 2009 Existing Facilities SEP Current Budget to the aggregate 2011 SEP Current Budget. For any project types selected with an aggregate 2011 SEP Current Budget that is greater than 105% of the aggregate 2009 Existing Facilities 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 2009 Existing Facilities SEP for each of the 10 project types selected in procedure 9.1. For each sampled project that has a scheduled substantial completion date that is 12 months or greater than the 2011 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 2009 Existing Facilities SEP that was cancelled when compared to the 2011 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 a survey performed by



the District's Personnel Commission in November 2009 that was aimed at addressing the provisions of Measure Y above. We also verified that the results of the survey were presented to the District's Board of Education. However, no finding has been made to confirm that managers of the Facilities Services Division are being compensated accordingly.

In April of 2011, the Superintendent informed the Bond Oversight Committee that in light of the heavy workload of the District's Personnel Commission due to the current budget crisis that resulted to reduced workforce, he has requested to put the Facilities' Management Compensation Study on hold.

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

Management's Response

In light of the continued success of recruitments and selections 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. With respect to the 2011 Compensation Study, in April of 2011, the Superintendent informed the Bond Oversight Committee that, in light of the heavy workload of the District's Personnel Commission due to the current budget crisis that has resulted in a reduced workforce, he has requested that the Compensation Study be placed on hold. The District will consider options with respect to completion of the Compensation Study in the near future.

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

A handwritten signature in cursive script that reads "Simpson & Simpson".

January 12, 2012



SIMPSON & SIMPSON
CERTIFIED PUBLIC ACCOUNTANTS

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

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, 2011 and have issued our report thereon dated December 14, 2011. 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, 2011. 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, 2011 in conformity with U.S. generally accepted accounting principles.

January 12, 2012

**LOS ANGELES UNIFIED SCHOOL DISTRICT
PROPOSITION BB SCHOOL BOND CONSTRUCTION PROGRAM**

Statement of Bond Expenditures
Period from April 8, 1997 (Inception) through June 30, 2011

<u>Cost Category</u>	<u>Adjusted Budget (Unaudited)</u>	<u>Actual Expenditures Incurred</u>			<u>Unexpended Balance (Unaudited)</u>
		<u>April 8, 1997 (Inception) through June 30, 2010</u>	<u>Expenditure Year Ended June 30, 2011</u>	<u>Total Expenditure through June 30, 2011</u>	
New Construction	\$ 825,112,719	\$ 823,827,950	\$ -	\$ 823,827,950	\$ 1,284,769
School Modernization / Repairs	1,725,917,152	1,694,682,159	12,042,304	1,706,724,463	19,192,689
Office of Inspector General	3,750,000	3,737,403	12,597	3,750,000	-
Others:					
Employee Benefits	3,171,329	3,171,067	262	3,171,329	-
Prior Year Adjustments	142,454,523	125,952,027	16,502,496	142,454,523	-
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	<u>162,107,546</u>	<u>145,604,788</u>	<u>16,502,758</u>	<u>162,107,546</u>	<u>-</u>
Total Proposition BB Bond Expenditures	<u>\$ 2,716,887,417</u>	<u>\$ 2,667,852,300</u>	<u>\$ 28,557,659</u>	<u>\$ 2,696,409,959</u>	<u>\$ 20,477,458</u>

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, 2011

(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, 2010 and FY 2010-11 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, 2011.

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, 2011 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, 2011

(3) Fund Balances from Inception to Fiscal Year Ended June 30, 2011 (Unaudited)

The following is a summary of the budgeted revenues and expenditures for the Program from April 8, 1997 (inception) through June 30, 2011:

Actual:

Bonds Issued - FY 1997-98 through FY 2002-03	\$ 2,400,000,000
Interest Income - FY 1997-98 through FY 2009-10	175,777,480
Interest Income - FY 2010-11	546,266
Local Income - FY 2001-02	93,057
Interfund Transfer In - Other Financing Sources (OFS) FY 2006-07 through FY 2009-10	126,848,366
Interfund Transfer In - Other Financing Sources (OFS) FY 2010-11	16,622,248
Total Bonds issued, Interest /Local Income/OFS as of June 30, 2011	<u>\$ 2,719,887,417</u>
Less: Reserves- Relocation Revolving Fund	(3,000,000)
Total Sources of Funds less Reserves as of June 30, 2011	<u>\$ 2,716,887,417</u>
Less: Uses of Funds (Expenditures) from Inception through June 30, 2011	<u>(2,696,409,959)</u>
Available Fund Balance as of June 30, 2011	<u><u>\$ 20,477,458</u></u>

MEASURE K



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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, 2011 and have issued our report thereon dated December 14, 2011. 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, 2011. 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, 2011, in conformity with U.S. generally accepted accounting principles.

January 12, 2012



LOS ANGELES UNIFIED SCHOOL DISTRICT
MEASURE K SCHOOL BOND CONSTRUCTION PROGRAM
Statement of Bond Expenditures
Period from November 5, 2002 (Inception) through June 30, 2011

<u>Cost Category</u>	<u>Adjusted Budget (Unaudited)</u>	<u>Actual Expenditures Incurred</u>			<u>Unexpended Balance (Unaudited)</u>
		<u>November 5, 2002 (Inception) through June 30, 2010</u>	<u>Expenditure Year Ended June 30, 2011</u>	<u>Total Expenditure through June 30, 2011</u>	
New Construction	\$ 2,607,401,586	\$ 2,382,402,091	\$ 46,401,532	\$ 2,428,803,623	\$ 178,597,963
School Modernization / Repairs	595,525,680	504,719,648	23,922,919	528,642,567	66,883,113
Early Childhood Education	80,000,000	67,031,258	8,310,858	75,342,116	4,657,884
Information Technology Division *	81,000,000	81,000,000	-	81,000,000	-
Library Services	38,000,000	28,644,758	2,603,157	31,247,915	6,752,085
Charter	50,000,000	23,915,969	4,561,526	28,477,495	21,522,505
Joint Use	10,000,000	7,574,389	1,879,169	9,453,558	546,442
Office of Inspector General	11,250,000	11,189,771	59,926	11,249,697	303
Others:					
Employee Benefits	3,685,328	3,648,226	37,102	3,685,328	-
Prior Year Adjustments *	353,676,464	325,478,572	28,197,892	353,676,464	-
Cost of Issuance	5,658,218	5,658,218	-	5,658,218	-
Total Others	<u>363,020,010</u>	<u>334,785,016</u>	<u>28,234,994</u>	<u>363,020,010</u>	<u>-</u>
Total Measure K Bond Expenditures	<u>\$3,836,197,276</u>	<u>\$ 3,441,262,900</u>	<u>\$ 115,974,081</u>	<u>\$ 3,557,236,981</u>	<u>\$ 278,960,295</u>

See accompanying notes to statement of bond expenditures.

* Actual expenditures from inception to June 30, 2010 were restated to reflect discounts received from vendors in FY 10-11 that pertain to expenditures in the prior fiscal years.

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, 2011

(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 2011. 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, 2010 and FY 2010-11 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, 2011.

**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, 2011

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, 2011 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.

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.

f) Reclassifications

Certain statement of bond expenditures line items in the prior years were reclassified to conform to the 2011 presentation.

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, 2011

(3) Fund Balances from Inception to Fiscal Year Ended June 30, 2011 (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, 2011:

Actual:

Bonds Issued - FY 2002-03 through FY 2009-10 (final issuance)	\$ 3,350,000,000
Interest Income - FY 2002-03 through FY 2009-10	127,348,792
Interest Income - FY 2010-11	4,313,095
Interfund Transfer In - Other Financing Sources (OFS) FY 2006-07 through FY 2009-10	313,912,530
Interfund Transfer In -Other Financing Sources (OFS) FY 2010-11	36,252,171
Audit Adjustments - Bond premium net of Cost of Issuance FY 2006-07	5,482,312
Total Bonds issued and interest/OFS as of June 30, 2011	<u>\$ 3,837,308,900</u>
Less: Adjustments - Cost of Issuance/Underwriter's Discount FY 2008-09	<u>(1,111,624)</u>
Total Sources of Funds as of June 30, 2011	\$ 3,836,197,276
Less: Uses of funds (Expenditures) from Inception through June 30, 2011	<u>(3,557,236,981)</u>
Available Fund Balance as of June 30, 2011	<u><u>\$ 278,960,295</u></u>



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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, 2011 and have issued our report thereon dated December 14, 2011. 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, 2011. 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, 2011, in conformity with U.S. generally accepted accounting principles.

January 12, 2012



LOS ANGELES UNIFIED SCHOOL DISTRICT
MEASURE R SCHOOL BOND CONSTRUCTION PROGRAM
Statement of Bond Expenditures
Period from March 2, 2004 (Inception) through June 30, 2011

Cost Category	Adjusted Budget (Unaudited)	Actual Expenditures Incurred		Total Expenditure through June 30, 2011	Unexpended Balance (Unaudited)
		March 2, 2004 (Inception) through June 30, 2010	Expenditure Year Ended June 30, 2011		
New Construction	\$ 1,707,191,462	\$ 1,289,071,529	\$ 66,587,178	\$ 1,355,658,707	\$ 351,532,755
School Modernization / Repairs	1,558,750,000	1,215,212,654	60,153,960	1,275,366,614	283,383,386
Adult Education	25,000,000	14,599,763	3,396,971	17,996,734	7,003,266
Early Childhood Education	58,445,000	39,022,534	5,282,739	44,305,273	14,139,727
Information Technology Division *	142,000,000	72,420,121	-	72,420,121	69,579,879
Library Services	32,000,000	5,908,055	8,055,537	13,963,592	18,036,408
Charter	20,000,000	14,062,124	2,304,657	16,366,781	3,633,219
Joint Use	20,000,000	10,816,217	5,488,967	16,305,184	3,694,816
Office of Inspector General	10,000,000	8,002,396	731,661	8,734,057	1,265,943
Others:					
Employee Benefits	3,669,781	3,316,732	353,049	3,669,781	-
Prior Year Adjustments *	313,544,132	189,764,477	123,779,655	313,544,132	-
COPs 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	478,834,866	354,696,874	124,132,704	478,829,578	5,288
Total Measure R Bond Expenditures	\$ 4,052,221,328	\$ 3,023,812,267	\$ 276,134,374	\$ 3,299,946,641	\$ 752,274,687

See accompanying notes to statement of bond expenditures

* Actual expenditures from inception to June 30, 2010 were restated to reflect discounts received from vendors in FY 10-11 that pertain to expenditures in the prior fiscal years.

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, 2011

(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 2011. 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, 2010 and FY 2010-11 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, 2011.

**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, 2011

(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, 2011 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.

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.

(f) Reclassifications

Certain statement of bond expenditures line items in the prior years were reclassified to conform to the 2011 presentation.

**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, 2011

(3) Fund Balances from Inception to Fiscal Year Ended June 30, 2011 (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, 2011:

Actual:

Bond Issued - FY 2004-05 through FY 2009-10	\$ 3,634,795,000
Adjustment to Bond Proceeds - Premium net of Cost of Issuance FY 2004-05 through FY 2006-07	11,082,578
Interest Income - FY 2005-06 through FY 2009-10	94,203,542
Interest Income - FY 2010-11	10,816,181
Interfund Transfer In - Other Financing Sources (OFS) FY 2005-06 through FY 2009-10	197,592,205
Interfund Transfer In - Other Financing Sources (OFS) FY 2010-11	106,179,768
Total Bonds Issued, Interest and Income/OFS as of June 30, 2011	<u>\$ 4,054,669,274</u>
Less: Adjustments - Cost of Issuance/Underwriter's Discount FY 2008-09	<u>(2,447,946)</u>
Total Sources of Funds as of June 30, 2011	\$ 4,052,221,328
Less: Uses of Funds (Expenditures) from Inception through June 30, 2011	<u>(3,299,946,641)</u>
Available Fund Balance as of June 30, 2011	<u>\$ 752,274,687</u>



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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, 2011 and have issued our report thereon dated December 14, 2011. 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, 2011. 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, 2011 in conformity with U.S. generally accepted accounting principles.

January 12, 2012



LOS ANGELES UNIFIED SCHOOL DISTRICT
MEASURE Y SCHOOL BOND CONSTRUCTION PROGRAM
Statement of Bond Expenditures
Period from November 8, 2005 (inception) to June 30, 2011

Cost Category	Adjusted Budget (Unaudited)	Actual Expenditures Incurred			Unexpended Balance (Unaudited)
		November 8, 2005 (Inception) through June 30, 2010	Expenditure Year Ended June 30, 2011	Total Expenditure through June 30, 2011	
New Construction	\$ 2,222,487,618	\$ 638,602,050	\$ 322,945,571	\$ 961,547,621	\$ 1,260,939,997
School Modernization / Repairs	718,796,488	380,113,254	70,403,874	450,517,128	268,279,360
Achievement Gap	10,000,000	6,805,048	1,905,089	8,710,137	1,289,863
Adult Education	50,000,000	15,253,889	6,772,199	22,026,088	27,973,912
Early Childhood Education	60,000,000	25,306,579	11,988,275	37,294,854	22,705,146
Information Technology Division	125,000,000	10,468,671	16,498,090	26,966,761	98,033,239
Joint Use and Innovation	90,000,000	29,465,123	13,854,908	43,320,031	46,679,969
Charter	50,000,000	16,161,680	6,176,438	22,338,118	27,661,882
Transportation (Buses)	25,000,000	20,850,095	-	20,850,095	4,149,905
Office of Inspector General	10,000,000	-	2,098,139	2,098,139	7,901,861
Others:					
Employee Benefits	1,459,050	1,192,509	266,541	1,459,050	-
Prior Year Adjustments *	316,329,967	42,353,844	273,976,123	316,329,967	-
COPs Defeasance	190,849,074	188,402,775	2,446,299	190,849,074	-
Cost of Issuance	8,182,550	8,182,550	-	8,182,550	-
Total Others	<u>516,820,641</u>	<u>240,131,678</u>	<u>276,688,963</u>	<u>516,820,641</u>	<u>-</u>
Total Measure Y Bond Expenditures	\$ 3,878,104,747	\$ 1,383,158,067	\$ 729,331,546	\$ 2,112,489,613	\$ 1,765,615,134

See accompanying notes to statement of bond expenditures.

* Actual expenditures from inception to June 30, 2010 were restated to reflect discounts received from vendors in FY 10-11 that pertain to expenditures in the prior fiscal years.

**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, 2011

(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 2011. 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, 2010 and FY 2010-11 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, 2011

(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, 2011.

(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, 2011 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.

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, 2011

f) Reclassifications

Certain statement of bond expenditures line items in the prior years were reclassified to conform to the 2011 presentation.

(3) Fund Balances from Inception to Fiscal Year Ended June 30, 2011 (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, 2011:

Actual:

Bonds Issued - FY 2005-06 through FY 2009-10	\$ 3,542,235,000
Adjustments - Premium, net of Cost of Issuance FY 2005-06	6,614,884
Interest Income - FY 2005-06 through FY 2009-10	50,341,997
Interest Income - FY 2010-11	25,783,624
Local Income - FY 2007-08 through FY 2009-10	2,146,176
Local Income - FY 2010-11	549,604
Interfund Transfer In - Other Financing Sources (OFS) FY 2005-06 through FY 2009-10	11,061,476
Interfund Transfer In - Other Financing Sources (OFS) FY 2010-11	240,039,481
Total Bonds Issued, Interest and OFS as of June 30, 2011	<u>\$ 3,878,772,242</u>
Less: Adjustment - Cost of Issuance/Underwriter's Discount FY 2008-09	(667,495)
Total Sources of Funds as of June 30, 2011	<u>\$ 3,878,104,747</u>
Less: Uses of Funds (Expenditures) from Inception through June 30, 2011	<u>(2,112,489,613)</u>
Available Fund Balance as of June 30, 2011	<u><u>\$1,765,615,134</u></u>