



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

Statement of Bond Expenditures

Period from April 8, 1997 (inception)
through June 30, 2006

(With Independent Auditors' Report Thereon)



KPMG LLP
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Independent Auditors' Report

The Honorable Board of Education
Los Angeles Unified School District:

We have audited the actual expenditures incurred included in the accompanying statement of bond expenditures of the Proposition BB School Bond Construction Program of the Los Angeles Unified School District (the District) for the period from April 8, 1997 (inception) through June 30, 2006. Such statement of bond expenditures is the responsibility of the District's management. Our responsibility is to express an opinion on the actual costs incurred included in the accompanying statement of bond expenditures based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the actual costs incurred included in the statement of bond expenditures are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the statement of bond expenditures, assessing the accounting principles used and significant estimates made by management, as well as evaluating overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the statement of bond expenditures referred to above presents fairly, in all material respects, the actual expenditures incurred of the Proposition BB School Bond Construction Program of the Los Angeles Unified School District for the period from April 8, 1997 (inception) through June 30, 2006, in conformity with U.S. generally accepted accounting principles.

KPMG LLP

January 26, 2007

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

Statement of Bond Expenditures

Period from April 8, 1997 (inception) through June 30, 2006

| | Adjusted budget (unaudited) | Actual expenditures incurred | | | Unspent balance (unaudited) |
|--|-----------------------------------|--|---|--|-----------------------------------|
| | | April 8, 1997 (inception) through June 30, 2005 | Bond expenditures year ended June 30, 2006 | Total bond expenditures through June 30, 2006 | |
| New facilities: | | | | | |
| New construction: | | | | | |
| Construction | \$ 275,136,562 | 197,230,000 | 25,138,066 | 222,368,066 | 52,768,496 |
| Tests | 2,538,623 | 2,561,707 | (23,084) | 2,538,623 | — |
| Inspection | 4,082,530 | 3,559,949 | 522,581 | 4,082,530 | — |
| Sites | 418,374,527 | 419,494,206 | (1,119,679) | 418,374,527 | — |
| Plans | 80,077,113 | 72,486,648 | 7,571,515 | 80,058,163 | 18,950 |
| Nonreimbursable cost | 852,784 | 852,784 | — | 852,784 | — |
| Project related salaries – new facilities | 1,840,612 | 1,827,850 | 12,762 | 1,840,612 | — |
| Total new construction | 782,902,751 | 698,013,144 | 32,102,161 | 730,115,305 | 52,787,446 |
| Class size reduction: | | | | | |
| Portables | 973,597 | 240,176 | 17,422 | 257,598 | 715,999 |
| Portables – growth | 17,840,773 | 11,948,422 | 1,925,059 | 13,873,481 | 3,967,292 |
| New schools/centers | 19,971,845 | 14,152,344 | 1,316,147 | 15,468,491 | 4,503,354 |
| Total class size reduction | 38,786,215 | 26,340,942 | 3,258,628 | 29,599,570 | 9,186,645 |
| Total new facilities | 821,688,966 | 724,354,086 | 35,360,789 | 759,714,875 | 61,974,091 |
| Existing facilities: | | | | | |
| Repairs/school contracts/health and safety: | | | | | |
| Air conditioning | 219,750,731 | 238,860,984 | (24,454,594) | 214,406,390 | 5,344,341 |
| Bleachers | 14,664,236 | 12,635,875 | 1,214,355 | 13,850,230 | 814,006 |
| Safety & technology | 311,614,042 | 282,917,103 | 247,161 | 283,164,264 | 28,449,778 |
| Lockers | 5,572,352 | 5,078,526 | 256,202 | 5,334,728 | 237,624 |
| Lunch shelters | 16,843,776 | 15,794,679 | 504,613 | 16,299,292 | 544,484 |
| Security grills | 25,290,310 | 23,479,228 | 276,031 | 23,755,259 | 1,535,051 |
| Ventilation replacement | 10,890,013 | 10,885,239 | (69,788) | 10,815,451 | 74,562 |
| Auditorium renovations | 7,444,050 | 6,266,999 | 545,477 | 6,812,476 | 631,574 |
| Lighting | 5,786,522 | 5,499,298 | — | 5,499,298 | 287,224 |
| Paving | 130,953,261 | 122,726,593 | 2,785,692 | 125,512,285 | 5,440,976 |
| Electrical | 18,140,047 | 9,334,314 | 363,599 | 9,697,913 | 8,442,134 |
| Paint | 46,660,035 | 45,762,959 | 42,858 | 45,805,817 | 854,218 |
| Wall systems | 13,800,855 | 13,283,970 | 134,077 | 13,418,047 | 382,808 |
| Floor covering | 33,346,763 | 30,709,399 | 751,829 | 31,461,228 | 1,885,535 |
| Locks | 785,712 | 785,712 | — | 785,712 | — |
| Plumbing | 68,012,008 | 63,169,627 | 1,417,936 | 64,587,563 | 3,424,445 |
| Roofing | 6,175,602 | 6,169,976 | — | 6,169,976 | 5,626 |
| Gutters, etc. | 27,220,605 | 25,356,699 | 170,200 | 25,526,899 | 1,693,706 |
| Total repairs and contracts/health and safety | 962,950,920 | 918,717,180 | (15,814,352) | 902,902,828 | 60,048,092 |
| Modernization: | | | | | |
| Nonreimbursable cost | 66,209 | 66,209 | — | 66,209 | — |
| Construction | 45,031,611 | 40,242,657 | 1,105,443 | 41,348,100 | 3,683,511 |
| Test | 534,707 | 534,707 | — | 534,707 | — |
| Inspections | 1,889,801 | 1,888,723 | 1,078 | 1,889,801 | — |
| Plans | 3,523,589 | 3,473,459 | 50,130 | 3,523,589 | — |
| Total modernization | 51,045,917 | 46,205,755 | 1,156,651 | 47,362,406 | 3,683,511 |
| Class size reduction: | | | | | |
| Portables | 22,698,111 | 19,928,059 | 89,165 | 20,017,224 | 2,680,887 |
| Portables – growth | 53,889,055 | 37,157,049 | 200,884 | 37,357,933 | 16,531,122 |
| Renovation | 540,367 | 540,367 | — | 540,367 | — |
| Opening of closed schools | 7,440,129 | 7,331,654 | — | 7,331,654 | 108,475 |
| Total class size reduction | 84,567,662 | 64,957,129 | 290,049 | 65,247,178 | 19,320,484 |
| Other costs: | | | | | |
| School determined needs | 8,122,324 | 6,903,267 | 485,749 | 7,389,016 | 733,308 |
| Board area match program | 14,645,346 | 8,773,922 | 1,402,574 | 10,176,496 | 4,468,850 |
| Program/project managers fees | 334,895,079 | 279,891,323 | 8,768,173 | 288,659,496 | 46,235,583 |
| Hazard mitigation | 1,996,696 | 1,996,696 | — | 1,996,696 | — |
| Cost of issuance | 1,237,067 | 1,131,845 | 5,020 | 1,136,865 | 100,202 |
| Reprographic & other costs | 3,981,104 | 3,248,285 | 263,235 | 3,511,520 | 469,584 |
| Bonds bundling effort | 6,601,176 | 3,319,860 | (183,956) | 3,135,904 | 3,465,272 |
| Project-related salaries | 19,334,306 | 13,750,865 | 5,583,441 | 19,334,306 | — |
| Office of Inspector General (OIG) contractors audit | 3,936,913 | 1,160,627 | 434,173 | 1,594,800 | 2,342,113 |
| Asbestos/lead consultants | 4,994,476 | 4,947,134 | — | 4,947,134 | 47,342 |
| Prepay 1996 COPs | 15,344,829 | 15,344,829 | — | 15,344,829 | — |

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

Statement of Bond Expenditures

Period from April 8, 1997 (inception) through June 30, 2006

| | Adjusted budget (unaudited) | Actual expenditures incurred | | | Unspent balance (unaudited) |
|--|-----------------------------------|--|---|--|-----------------------------------|
| | | April 8, 1997 (inception) through June 30, 2005 | Bond expenditures year ended June 30, 2006 | Total bond expenditures through June 30, 2006 | |
| Cost of insurance | \$ 43,032,244 | 37,605,478 | 4,968,300 | 42,573,778 | 458,466 |
| Contingency | 1,542,084 | — | — | — | 1,542,084 |
| PERS savings recapture – BB Other | 40,768 | 32,970 | 7,798 | 40,768 | — |
| PERS recapture | 3,074,624 | 2,882,115 | 192,509 | 3,074,624 | — |
| Total other costs | <u>462,779,036</u> | <u>380,989,216</u> | <u>21,927,016</u> | <u>402,916,232</u> | <u>59,862,804</u> |
| Total existing facilities | <u>1,561,343,535</u> | <u>1,410,869,280</u> | <u>7,559,364</u> | <u>1,418,428,644</u> | <u>142,914,891</u> |
| Others: | | | | | |
| Interest/local income | 147,098,683 | 136,446,866 | 10,651,817 | 147,098,683 | — |
| Suspense account (program 1914) | — | — | 8,182 | 8,182 | (8,182) |
| Unallocated year-end accrued expenditures | 9,639,431 | — | 9,639,431 | 9,639,431 | — |
| Unallocated year-end prior year accrued expenditures | — | 9,616 | (4,300,000) | (4,290,384) | 4,290,384 |
| Total others | <u>156,738,114</u> | <u>136,456,482</u> | <u>15,999,430</u> | <u>152,455,912</u> | <u>4,282,202</u> |
| Total Proposition BB bond expenditures | <u>\$ 2,539,770,615</u> | <u>2,271,679,848</u> | <u>58,919,583</u> | <u>2,330,599,431</u> | <u>209,171,184</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, 2006

(1) Proposition BB School Bond Construction Program Background

Proposition BB Initiative (Proposition BB) authorized the Los Angeles Unified School District (the 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 issues are used for the purposes stated in the resolution, which placed the Proposition BB on the 1997 ballot.

All projects are managed by LAUSD-approved Program Managers. The District Board of Education must approve all project contracts. Each Program Manager is responsible for managing all program-related activities, including the maintenance of master construction schedules and the master program budgets.

(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 and current 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 Costs

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 1, 1997 (inception) through June 30, 2006. The negative bond expenditures for the year ended June 30, 2006 represent expenditures initially funded by Proposition BB in previous years, but subsequently funded through other financing sources in the current year.

(c) Unspent Balance (Unaudited)

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

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Notes to Statement of Bond Expenditures

Period from April 8, 1997 (inception)
through June 30, 2006

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

The following is a summary of the budgeted revenues and expenditures for the Program from April 8, 1997 (inception) through June 30, 2006:

| | |
|--|------------------------------|
| Bonds issued | \$ 2,400,000,000 |
| Interest – actual from 1997 (inception) to 2005 | 136,353,809 |
| Interest – actual fiscal year 2006 | 10,651,817 |
| Local income | <u>93,057</u> |
| Total bonds issued plus interest and other income as of June 30, 2006 | 2,547,098,683 |
| Prepaid Owner-Controlled Insurance Program | (4,328,068) |
| Relocation Revolving Fund | <u>(3,000,000)</u> |
| Total budget as of June 30, 2006 | 2,539,770,615 |
| Less expenditures from inception to June 30, 2006 | <u>(2,330,599,431)</u> |
| Available budget balance as of June 30, 2006 | \$ <u><u>209,171,184</u></u> |