



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

Statement of Bond Expenditures

Period from November 5, 2002 (inception) to June 30, 2006

(With Independent Auditors' Report Thereon)



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

Independent Auditors' Report

The Honorable Board of Education
Los Angeles Unified School District:

We have audited the actual expenditures incurred included accompanying statement of bond expenditures of the Measure K School Bond Construction Program of the Los Angeles Unified School District (the District) for the period from November 5, 2002 (inception) to June 30, 2006. Such statement of bond expenditures is the responsibility of the District's management. Our responsibility is to express an opinion on the actual costs incurred included in the accompanying statement of bond expenditures based on our audit.

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

In our opinion, the statement of bond expenditures referred to above presents fairly, in all material respects, the actual expenditures incurred of the Measure K School Bond Construction Program of the Los Angeles Unified School District for the period from November 5, 2002 (inception) to June 30, 2006, in conformity with U.S. generally accepted accounting principles.

KPMG LLP

January 26, 2007

**LOS ANGELES UNIFIED SCHOOL DISTRICT
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Period from November 5, 2002 (inception) to June 30, 2006

Cost category	Adjusted budget (unaudited)	Actual expenditures incurred			Unspent balance (unaudited)
		November 5 2002 (inception) to June 30, 2005	Bond expenditures year ended June 30, 2006	Total bond expenditures through June 30, 2006	
New construction:					
Phase one:					
New construction	\$ 1,341,509,591	777,059,957	216,864,074	993,924,031	347,585,560
Additions	80,409,241	44,124,524	18,967,566	63,092,090	17,317,151
Playground expansion	20,634,996	12,717,181	2,238,760	14,955,941	5,679,055
Support costs	6,404,053	3,965,086	2,438,967	6,404,053	—
Labor costs	19,422,340	10,714,680	2,058,752	12,773,432	6,648,908
Total phase one	1,468,380,221	848,581,428	242,568,119	1,091,149,547	377,230,674
Phase two:					
New construction	537,163,628	40,426,617	260,502,500	300,929,117	236,234,511
Land acquisition, three new facilities	8,865,395	8,864,395	—	8,864,395	1,000
Additions	13,642,699	2,367,367	4,438,614	6,805,981	6,836,718
Playground expansion	4,800	4,800	—	4,800	—
Support costs	49,762,160	14,550,682	8,484,560	23,035,242	26,726,918
Labor costs	31,366,265	11,638,699	7,225,567	18,864,266	12,501,999
Labor legal support	1,103,727	—	124,157	124,157	979,570
Office of the Inspector General Audit	7,500,001	2,328,074	847,359	3,175,433	4,324,568
Total phase two	649,408,675	80,180,634	281,622,757	361,803,391	287,605,284
Total new construction	2,117,788,896	928,762,062	524,190,876	1,452,952,938	664,835,958
Existing facilities:					
Lead and asbestos removal	12,000,001	5,225,694	3,191,952	8,417,646	3,582,355
Repairs	324,305,184	34,455,974	68,718,239	103,174,213	221,130,971
Repair support costs	130,320,513	15,613,474	16,435,259	32,048,733	98,271,780
Labor legal support	130,012	53,307	27,120	80,427	49,585
Total existing facilities	466,755,710	55,348,449	88,372,570	143,721,019	323,034,691
Early childhood education:					
Renovation/repair	9,800,000	2,141,889	2,991,131	5,133,020	4,666,980
Expansion	11,470,536	9,335,405	(1,645,151)	7,690,254	3,780,282
Education center	28,379,146	299,066	763,883	1,062,949	27,316,197
Support costs	300,000	284,229	27,562	311,791	(11,791)
Labor costs	716,752	387,645	316,354	703,999	12,753
Total early childhood education	50,666,434	12,448,234	2,453,779	14,902,013	35,764,421
Information & technology department (ITD):					
Indirect support – ITD:					
Support costs	1,885,200	61,165	—	61,165	1,824,035
Labor costs	1,891,982	1,160,784	145,600	1,306,384	585,598
Nonlabor	2,296,696	1,135,961	644,310	1,780,271	516,425
Technical support	10,000,002	2,109,126	3,745,078	5,854,204	4,145,798
Tech and communication infrastructure:					
Supplies	77,416,513	47,572,389	14,870,528	62,442,917	14,973,596
Upgrading and stocking library	36,512,608	7,992,443	7,988,568	15,981,011	20,531,597
Total information & technology department (ITD)	130,003,001	60,031,868	27,394,084	87,425,952	42,577,049
Charter schools:					
Expansion	36,567,166	1,423,706	1,227,359	2,651,065	33,916,101
Total charter schools	36,567,166	1,423,706	1,227,359	2,651,065	33,916,101
Joint use:					
Project costs	5,741,178	—	—	—	5,741,178
Employee fringe benefits	2,451,780	1,015,651	1,436,129	2,451,780	—
Measure K Accruals – FY ‘05-06	48,973,897	—	48,973,897	48,973,897	—
Interest	72,047,511	63,464,833	(2,391,839)	61,072,994	10,974,517
Total Measure K project expenditure	\$ 2,930,995,573	1,122,494,803	691,656,855	1,814,151,658	1,116,843,915

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, 2006

(1) Measure K School Bond Construction Program Background

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

The Board of Education has established a School Construction Bond Citizens' Oversight Committee to ensure that the proceeds of the Measure K School Bond issues 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, after which \$2.1 billion was issued in March 2003. 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 Board of Education-approved Strategic Execution Plans, which detail the scope of work to be done for each project. The District has established General Obligation Bond Charging Guidelines to outline the allowable expenditures for the Program-related costs. Such guidelines specifically state that no funds will be spent for teacher or administrator salaries or for operating expenses.

All projects are managed by approved District Project Managers. Project Managers are responsible for managing all project-related activities, including the maintenance of the District's master schedule and the master program budget.

(2) Basis of Presentation

The accompanying statement of bond expenditures has been prepared in conformity with U.S. generally accepted accounting principles. The accompanying statement of project costs reflects the flow of current financial resources measurement focus and is presented on the modified-accrual basis of accounting.

(a) Adjusted Budget (Unaudited)

Of the \$3.35 billion in bonds, the amounts included within the adjusted budget (unaudited) column in the accompanying statement of bond expenditures represent the prior year expenditures and current budget authority requested from the Board of Education for costs that are expected to be expended and/or obligated to complete the various projects.

(b) Actual Costs Incurred

The amounts included within the actual costs incurred column in the accompanying statement of bond expenditures represent actual expenditures paid and accrued by the District for the period from November 1, 2002 (inception of the program) to June 30, 2006. The negative bond expenditures for the year ended June 30, 2006 represent expenditures initially funded by Measure K in previous years, but subsequently funded through other financing sources in the current year.

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Period from November 5, 2002 (inception) to June 30, 2006

(c) Unspent Balances (Unaudited)

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

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

The following is a summary of the budgeted revenues and expenditures for the Measure K School Bond Construction Program from November 5, 2002 (inception) through June 30, 2006:

Actual:

Bonds issued (fiscal year 2002/2003)	\$ 2,100,000,000
Interest (fiscal year 2002/2003)	5,069,730
Interest (fiscal year 2003/2004)	32,440,483
Interest (fiscal year 2004/2005)	25,954,620
Interest (for fiscal year 2005/2006)	<u>23,582,678</u>
Total bonds issued and interest as of June 30, 2006	2,187,047,511
Total unissued bonds	<u>743,948,062</u>
Total budget as of June 30, 2006	2,930,995,573
Less expenditures from inception to June 30, 2006	<u>(1,814,151,658)</u>
Available budget balance as of June 30, 2006	\$ <u><u>1,116,843,915</u></u>