

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, 2008 and Statements of Bond Expenditures
from Inception through June 30, 2008
(With Independent Auditor's Reports Thereon)



SIMPSON & SIMPSON
CERTIFIED PUBLIC ACCOUNTANTS

FOUNDING PARTNERS
BRAINARD C. SIMPSON, CPA
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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, 2008. 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.

1.1 Procedure

From a population of all expenditures charged to Object Code #6000 in the general ledger (IFS) for the year ended June 30, 2008, we selected 5 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 tested the selected sample invoices to determine whether amounts expended were consistent with the work scope of each of the respective bond measures as presented to the voters.

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 Procedure

For the items selected in procedure 1.1 above, we determined whether the following requirements of GO Bond construction project payments procedures had been met:

- a) The invoice, along with a District-approved Encumbrance/Payment Request form, including evidence of approval by an LAUSD employee, was submitted in order to process the payment.
- b) For the invoices that represent construction expenditures, ensure an Owner Authorized Representative (OAR) validates that the contractor has certified the Application for Payment, and that the OAR has signed it. The OAR assembles the payment package that includes the Encumbrance/Payment request form, the Application for Payment, the Owner Assessment Summary, and other supporting documents.
- c) For each invoice, verify that 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.

1.3 Procedure

We tested the 5 invoices from each GO Bond Fund selected in procedure 1.1, to determine whether the corresponding projects were included in the related Strategic Execution Plan (SEP) including approved amendments. If the invoice had multiple projects, up to 5 projects from the invoice were traced to the SEP.

Results

For one out of the five (5) invoices we traced to the related SEP for Proposition BB, we noted that one out of the five (5) projects we tested cannot be traced to the SEP for 2008. However, we were able to trace this project to the SEP for 2004. When a Notice of Completion is filed with the Los Angeles County, the contract work scope is removed from the SEP. However, Division of the State Architect (DSA) certifications frequently require subsequent drawings or other revisions, giving rise to legitimate expenditures long after the completion of the structure. The project we tested pertained to an expenditure of such nature. Therefore, we do not consider this as an exception.

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, 2008, we selected 10 total expenditures for all GO Bond Funds combined (Prop BB, Measure K, Measure R, and Measure Y), to perform the following procedures:



- 2.1 We obtained the expenditures selected along with corresponding time sheets and personnel files (when applicable) and determined whether the items selected for bond funds 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 I (b) (3) (A).

Results

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

- 2.2 We obtained the expenditures selected with corresponding time sheets and personnel files in order to determine that no Proposition BB bond funds were spent on "administrator salaries" as noted in the ballot measures.

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, 2008:

- 3.1 We selected a sample of 10 expenditures for all GO Bond Funds combined (Prop BB, Measure K, Measure R, and Measure Y), and 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 I (b) (3) (A).

Results

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

4. Procedure

From a population of all expenses charged to Object Code #4000, #5000, and #6000 in IFS to all GO Bond Funds for the fiscal year ended June 30, 2008:

- We selected a sample of 10 individual program management/construction management firms from a listing of all such firms utilized by the GO Bond Funds provided by the District.
- We obtained a copy of the contract for each program management/construction management firm selected.
- We selected one invoice payment for each program management/construction management firm selected and reviewed the corresponding invoices 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 Bill Submission by Construction Management (CM) Firm Guidelines (Guidelines) designed by the Facilities Services Division – New Construction Branch and the Protocol for Submitting CM Labor Request Payments for Existing Facilities as a guide 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 expenses charged to Object Code #4000, #5000, and #6000 in IFS to all GO Bond Funds during the fiscal year ended June 30, 2008, we selected a sample of 10 expenditures from the samples selected in 3) and 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.

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, 2008 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 read the selected change orders to determine compliance with the District's Change Order procedures and to determine if appropriate approvals were secured.

Results

We obtained a copy of the Change Order Procedures from the Facilities Services Division and read the significant provisions stated therein. We then obtained a list of Change Orders approved for the fiscal year ended June 30, 2008, selected 20 sample items and performed the following:

- a. We inspected whether the Change Order Proposal (COP) for the samples we selected included the following supporting documentation, as required by the Change Order Procedure:



- Pricing, breakdowns, and costs required to validate a proposed adjustment in the contract amount
- Detailed schedule analysis demonstrating the impact on the project critical path to substantiate requests for contract time extension (if applicable)
- Revised or marked-up drawings, specifications and sketches (if applicable)
- Contractor's use of the District's "Fully Burdened Rate Table" as the basis for labor costs of proposed work. If Contractor can demonstrate that a higher wage rate is being paid, then a higher labor rate may be approved by the Senior Project Manager
- For negotiated "lump sum" change order, verification made by Owner Authorized Representative (OAR) that funds are available in the Integrated Financial System (IFS) for payment

Results

One (1) out of the 20 we tested did not have supporting change order form.

Out of the 20 samples we tested, only ten (10) had contract time extensions. Out of these ten (10), two (2) did not contain detailed schedule analysis to substantiate requests for contract time extensions.

Fourteen (14) out of the 20 samples we tested contain labor rates that are significantly higher than the rates in the "Fully Burdened Rate Table." We noted that there were no explanations in the change order package as to why higher labor rates were paid, as required by the Change Order Procedures.

Management's Response

Both the contract general conditions and the Change Order procedures in effect for the contract that did not have a supporting change order form are silent on the use of a specific Facilities Services Division Change Order Proposal form. The District form was not used, but all of the required COP form information was provided by the contractor and included in the CO proposal package.

All of the information required to validate the COP amount is shown on Exhibit A (Contractor's version of the Change Order Package) provided by the Contractor as an attachment to the package. Additionally, the Record of Negotiation document shows the same amount as the amount on Exhibit A.

The submittal of detailed schedule analysis will be enforced on future change order submittal to validate the contract time extension. Additional OAR training will be provided to ensure that detailed project schedule is provided and attached to the change order submittal package.

The procedure requiring use of District fully burdened rate tables had an effective date of 6/30/06. Of the exceptions noted by the auditors, eight (8) were executed prior to the effective date of the procedure. Therefore, the prior procedure, which did not contain the requirement for reference to the District's fully burdened rate tables was in effect for these eight (8) contracts. The other six (6) exceptions occurred during the transition to the new policy, which is now fully implemented and enforced.

- b. We inspected whether the Change Order Package included the following required documentation:
- Change Order (signatory page)
 - Division State Architect (DSA) approved Field Change Order (FCD) (if any)
 - Revised drawings or specifications of change order with signatures and stamps of Architect of Record (AOR) and licensed design personnel that prepared the drawings, as applicable. AOR should be responsible for stamping documents prepared by others, i.e. Contractor, subcontractor, OAR, etc.
 - Change Order checklist
 - Justification for contract modification
 - Record of Negotiation
 - Change Order Proposal
 - Owner Fair Cost Estimate
 - Schedule Fragnet (if contract time is changed)
 - Verification of funding
 - Request for proposal
 - Request for clarification
 - Construction Directive
 - Independent Estimate of Analysis, if required
 - Approved End User-Initiated Scope Change Request Form (if any)

Results

One (1) out of the 20 samples we selected did not have the signature and stamp of the AOR on the attached revised drawings or specifications of change order and two (2) did not have the change order checklist. In addition, ten (10) samples have contract time changes but did not have a complete set of supporting Schedule Fragnet, as required by the Change Order Procedures. According to the Change Order Procedures, Contractor shall utilize Primavera Project Planner or equivalent scheduling software to employ Critical Path Method (CPM) in the development and maintenance of the construction schedule network. Any Proposed Baseline Schedule shall include activity descriptions, sequencing, logic relationships, duration estimates, cost loading, resource loading and other information. A Contractor may also prepare a Time Extension Request by submitting a Schedule Fragnet and a written narrative outlining the detail of the impact of the extension request. A Schedule Fragnet must demonstrate a critical path delay. Such a delay must adversely impact the Substantial Completion Date for the Contractor to receive a time extension. To demonstrate such an impact successfully, the Contractor shall prepare a Schedule Fragnet based on a copy of Owner accepted Monthly Schedule Update for the calendar month during which the adverse impact occurred.



Management's Response

The signature and stamp of the Architect of Record (AOR) is required on all revised drawings and sketches in order to receive a DSA approval of the change order. Additional training will be provided to the OAR in the Quality Assurance (QA) and Review process prior to releasing the change order. An Existing Facilities Close Out & Commissioning Team (CCT) has been created to provide additional support in the QA process of the Change Order package prior to releasing to DSA for review and approval.

The use of the Change Order Checklist is internal to the team that supports the OAR at the Region in packaging the Change Order submittal package which provides “at a glance” the review of the completeness of the Change Order submittal package. The Change Order Checklist is not required by Accounts Payable (AP) in processing the Change Order, and also not included when the Change Order is processed for Board Approval. It is also not included when the Change Order package is submitted to DSA during the review and approval process.

Additional training will be provided to the OAR to ensure that any increase in contract time will be supported by a Schedule Fragnet submittal from the Contractor, as required by the Change Order Procedures.

- c. 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. Individual change orders for Existing Facilities work that exceed 10% but do not exceed 25% of the original price may be performed as long as the change is necessary and an integral part of the work under the contract and the taking of bids would delay the project. Form Justification for Modification must be included in the change order package to support these criteria.

Results

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

- d. We inspected the Change Order Form samples to determine whether the prescribed signatures were obtained prior to processing the Change Order. According to the Change Order Procedure, signatures of Contractors, Architects or Engineers (for DSA-approved projects), OAR and Senior Management are required for authorization of Change Order. In addition, we inspected the forms to determine whether the Board of Education approved single change orders exceeding 15% of the original contract amount, and cumulative change orders exceeding 5% of the original contract for New Construction and 25% for Existing Facilities. For projects requiring DSA approval, we examined whether the DSA approval was obtained prior to the start of the change order.



Results

For 14 out of the 20 samples we tested, we were not able to verify the Owner-Authorized Representative (OAR) who signed the Change Order Form. According to the Facilities Services Division, no list of authorized contractor signatories is maintained. However, such forms were approved and signed by District management personnel, who assured that the appropriate OAR signed the forms. Therefore, these are not considered exceptions.

- e. For DSA-approved projects, we examined whether the approved changed orders included the signature and stamp of the AOR on the Change Order Form, supplemental drawings approved and signed by the AOR and approval of the Board of Education, as required by the Change Order Procedures.

Results

Seven (7) out of the 20 samples we tested did not have stamps of AOR on the Change Order Forms. In addition, two (2) did not have supplemental drawings that were stamped and signed by the AOR.

Management's Response

According to the DSA Change order submittal guidelines in effect for the seven (7) samples cited as exceptions by the auditors, the AOR only needed to sign and print his/her name on the Change Order form front page. The AOR stamp on the change order form was not required.

Supplemental drawings indicating changes to approved drawings or specifications must have the AOR's signature and stamp. Change order drawings found to be without the AORs signature and stamp should be returned to the AOR for correction. Additional quality review procedures have recently been implemented to improve conformance with change order requirements.

- f. We also verified proper execution of the change order and examined whether the following requirements were satisfied:
 - All change orders must be completed prior to Substantial Completion
 - Adjustments to proposed changes in the contract amount or contract time must be incorporated into a Change order within 7 days from date of agreement with the Contractor
 - Change order shall be processed for approval within 45 days from receipt of a valid Change Order Proposal establishing entitlement for the change and no later than 30 days after substantial completion.
 - Should time and material be directed, Contractor shall submit a Daily Time and Material Record to OAR at the end of each work day. OAR and Contractor shall sign the Daily Time and Material Record.



Results

Out of the 20 samples we tested, eight (8) did not comply with the 45-day limit for the approval processing; three (3) were not processed as approved no later than 30 days after substantial completion.

Management's Response

Our goal is to process an approved Change Order Package to be a billable Change Order within 45 days. Normally, for Change Orders that are cumulatively less than 10% total to the Original Contract amount will be able to meet the 45 day processing time; however, for Change Orders that are cumulatively greater than 10% in total to the Original Contract amount, requiring additional approval signatures from Senior Management, will not always meet the 45-day processing time. However, we are consistently striving to improve the processing time necessary, so that the Contractor can invoice the work performed and get paid in a timely manner.

- g. For Change Orders requiring Request for Proposal (RFP), we examined whether the following requirements were satisfied:
- RFP should be prepared, authorized and issued by OAR
 - Technical solutions must be provided by OAR and should have their stamp and signatures on all drawings, sketches, and/or any other documentation they provide for the RFP
 - RFP should not be issued until verification that adequate funding, based upon a Rough Order of Magnitude (ROM) estimate is available for the proposed change

Results

Out of the 20 samples we selected, only five (5) required RFPs. We noted that one out of these five (5) samples did not have signature and stamp of AOR on the drawings, sketches and/or any other documentation they provided for the RFP.

Management's Response

All revised drawings and sketches provided to support the change in scope of work need to be stamped and signed by the AOR. In preparing an RFP, the OAR may however prepare supporting administrative documentation that does not require an AOR signature.

Additional training will be provided to the OAR and his/her support team to make sure that all supporting drawings and sketches are properly signed and stamped by the AOR during the packaging of the Change Order submittal package at Region level.



- h. For End User-initiated change orders, we verified whether the related scope changes did not commence nor the 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 Local District Project Manager (LDPM)/ Senior Project Manager and Deputy Chief Facilities Executive or designee
 - RFP issued to Contractor

Results

None of the 20 samples we tested were initiated by End Users. No exceptions were noted as a result of performing these procedures.

7. Procedure

We determined whether the total expenditures reported in the year-end "summary 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, 2008.

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, 2008. 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 January 2007 New Construction Strategic Execution Plan (SEP) and performed the following procedures:

- 8.1 We compared the SEP project budget for each project in the sample to the January 2008 SEP budget.
- 8.2 If the January 2008 SEP project budget is greater than 105% of the January 2007 SEP project budget, we reviewed documentation of the budget increase being reported to the Bond Citizens Oversight Committee (BCOC).

Results

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



9. Procedure

We selected 10 samples of GO Bond project types from the June 2007 Existing Facilities SEP data and performed the following procedures:

- 9.1. We compared the June 2007 SEP Project Budget for all project types selected (such as classroom lighting, exterior paving, and roofing) to the May 2008 SEP Project Budget;
- 9.2. If the May 2008 SEP Project Budget was greater than 105% of the June 2007 SEP Project Budget, we determined whether the increase was reported in the September 2008 Monthly Program Status Report.
- 9.3. For each of the 10 project types selected, we selected one specific project from the May 2008 SEP budget that has a completion date that is 12 months or later than the June 2007 SEP budget and determined whether the delay was reported in the September 2008 Monthly Program Status Report.

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 United States had been performed in accordance with the provision of Measure Y.

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 in April 2008 that was aimed at addressing the provisions of Measure Y above. However, there was no finding made as to whether the managers of the District's Facilities Services Division are being compensated accordingly. Therefore, the District was not fully in compliance of the provisions of Measure Y.

However, District management has indicated that another survey will be performed in November 2009 to satisfy Measure Y's requirement that such survey be performed at least biennially.



Management's Response

The Personnel Commission (PC) believes that a comprehensive study was done and the results were provided to the Superintendent, the Board and the Board staff. The next survey of compensation will be completed by the PC in November 2009 for compliance with the Measure Y biennial requirement for the survey.

It should also be noted that the auditor's finding states that the last survey was performed in April 2008. This study was actually performed in 2007 initially by a consultant. The Bond Oversight Committee, Superintendent, and PC agreed to have the PC complete that study. It was completed in April 2008.

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 express no 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 E. Simpson".

November 4, 2009



SIMPSON & SIMPSON
CERTIFIED PUBLIC ACCOUNTANTS

FOUNDING PARTNERS
BRANARD C. SIMPSON, CPA
CARL P. 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, 2008 and have issued our report thereon dated August 15, 2009. 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, 2008. 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 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, 2008 in conformity with U.S. generally accepted accounting principles.

November 4, 2009

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

Statement of Bond Expenditures

Period from April 8, 1997 (Inception) through June 30, 2008

Cost Category	Actual Expenditures Incurred				
	Adjusted Budget (Unaudited)	April 8, 1997 (Inception) through June 30, 2007	Expenditure Year Ended June 30, 2008	Total Expenditure through June 30, 2008	Unexpended Balance (Unaudited)
New Construction:					
New Construction:					
Construction	\$ 293,808,117	245,503,786	47,957,049	293,460,835	347,282
Tests	2,538,623	2,538,623	(78,879)	2,459,744	78,879
Inspection	4,268,472	4,223,471	43,841	4,267,312	1,160
Sites	397,777,676	423,129,730	(52,182,592)	370,947,138	26,830,538
Plans	86,932,895	83,932,895	2,954,194	86,887,089	45,806
Nonreimbursable Cost	919,710	852,784	(5,738)	847,046	72,664
Project Related Salaries - New Facilities	1,840,611	1,840,611	-	1,840,611	-
Total New Construction	788,086,104	762,021,900	(1,312,125)	760,709,775	27,376,329
Class Size Reduction:					
Portables	279,199	273,199	5,225	278,424	775
Portables - Growth	18,515,739	17,415,739	1,027,572	18,443,311	72,428
New Schools/Centers	18,231,675	17,031,676	1,160,436	18,192,112	39,563
Total Class Size Reduction	37,026,613	34,720,614	2,193,233	36,913,847	112,766
Total New Construction	825,112,717	796,742,514	881,108	797,623,622	27,489,095
Existing Facilities					
Repairs/School Contracts/Health & Safety:					
Air Conditioning	231,554,155	215,524,109	280,956	215,805,065	15,749,090
Bleachers	16,800,403	14,294,854	71,031	14,365,885	2,434,518
Safety & Technology	321,281,062	295,793,563	(9,677,894)	286,115,669	35,165,393
Lockers	5,816,612	5,335,210	(75,092)	5,260,118	556,494
Lunch Shelters	16,943,355	16,396,891	68,398	16,465,289	478,066
Security Grills	24,457,562	23,893,378	18,943	23,912,321	545,241
Ventilation Replacement	11,680,214	10,815,451	25,817	10,841,268	838,946
Auditorium Renovations	7,586,857	6,935,134	8,116	6,943,250	643,607
Lighting	6,676,148	5,499,298	77,032	5,576,330	1,099,818
Paving	129,239,525	126,186,729	(13,486)	126,173,243	3,066,282
Electrical	12,619,303	9,878,655	107,810	9,986,465	2,632,838
Paint	47,167,260	45,813,003	1,659	45,814,662	1,352,598
Wall Systems	14,303,581	13,435,406	718,238	14,153,644	149,937
Floor Covering	32,094,039	31,721,051	43,100	31,764,151	329,888
Locks	789,396	785,712	-	785,712	3,684
Plumbing	67,354,799	64,928,029	(443,915)	64,484,114	2,870,685
Roofing	6,637,399	6,169,976	-	6,169,976	467,423
Gutters, etc.	26,874,802	25,617,876	81,806	25,699,682	1,175,120
Total Repairs & Contracts/Health & Safety	979,876,472	919,024,325	(8,707,481)	910,316,844	69,559,628
Modernization:					
Nonreimbursable Cost	66,209	66,209	-	66,209	-
Construction	54,560,914	43,907,063	(5,037,004)	38,870,059	15,690,855
Test	634,609	534,707	-	534,707	99,902
Inspections	1,901,042	1,889,802	4,875	1,894,677	6,365
Plans	3,895,467	3,523,589	77,510	3,601,099	294,368

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

Statement of Bond Expenditures

Period from April 8, 1997 (Inception) through June 30, 2008

Cost Category	Actual Expenditures Incurred				
	Adjusted Budget (Unaudited)	April 8, 1997 (Inception) through June 30, 2007	Expenditure Year Ended June 30, 2008	Total Expenditure through June 30, 2008	Unexpended Balance (Unaudited)
Total Modernization	61,058,241	49,921,370	(4,954,619)	44,966,751	16,091,490
Class Size Reduction:					
Portables	21,030,155	20,063,956	749	20,064,705	965,450
Portables - Growth	51,539,479	38,402,389	1,351,046	39,753,435	11,786,044
Renovation (A & I)	540,367	540,367	-	540,367	-
Opening of Closed Schools	7,463,807	7,331,757	17,146	7,348,903	114,904
Total Class Size Reduction	80,573,808	66,338,469	1,368,941	67,707,410	12,866,398
Other Costs:					
School Determined Needs	8,620,146	7,563,837	2,346	7,566,183	1,053,963
Board Area Match Program	14,147,229	11,548,783	796,997	12,345,780	1,801,449
Program/Project Managers Fees	320,278,691	302,421,575	7,332,917	309,754,492	10,524,199
Hazard Mitigation	2,078,862	1,996,696	(174,807)	1,821,889	256,973
Cost of Issuance	1,136,865	1,136,865	-	1,136,865	-
Reprographic & Other Costs	4,055,011	3,687,423	71,617	3,759,040	295,971
Bonds Bundling Effort	5,692,943	4,200,650	219,851	4,420,501	1,272,442
Project-related salaries	20,059,675	20,059,675	(8,638)	20,051,037	8,638
OIG Contractors Audit	3,875,424	3,010,168	557,317	3,567,485	307,939
Asbestos/Lead Consultants	5,002,078	4,947,134	-	4,947,134	54,944
Prepay 1996 COPs	15,344,829	15,344,829	-	15,344,829	-
Cost of Insurance	43,098,112	42,643,249	-	42,643,249	454,863
Contingency	4,102,021	-	-	-	4,102,021
Total Other Costs	447,491,886	418,560,884	8,797,600	427,358,484	20,133,402
Total Existing Facilities	1,569,000,407	1,453,845,048	(3,495,559)	1,450,349,489	118,650,918
Others:					
Accruals		7,467,191	(3,121,978)	4,345,213	(4,345,213)
Employee Benefits	3,373,007	3,116,392	16,344	3,132,736	240,271
Interest/Local Income Expended	172,807,098	166,245,160	6,561,938	172,807,098	-
Prior Year Adjustments-Expenditures Transfer	43,892,325	(2,115,506)	45,228,394	43,112,888	779,437
Interfund Transfer from BB to Various Funds	12,605,840	8,925	12,596,915	12,605,840	-
Arbitrage Rebate	1,620,449	1,311,418	309,031	1,620,449	-
Total Others	234,298,719	176,033,580	61,590,644	237,624,224	(3,325,505)
Total Proposition BB Bond Expenditures	<u>\$ 2,628,411,843</u>	<u>\$ 2,426,621,142</u>	<u>\$ 58,976,193</u>	<u>\$ 2,485,597,335</u>	<u>\$ 142,814,508</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, 2008

(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 issues are used for the purposes stated in the resolution, which placed the Proposition BB on the 1997 ballot.

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 April 8, 1997 (inception) through June 30, 2007 and FY 2007-08 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, 2008. The negative bond expenditures for the year ended June 30, 2008 represent expenditures initially funded by Proposition BB in previous years, but subsequently funded through other financing sources in the current year.

**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, 2008

(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, 2008 column.

(3) Fund Balances from Inception to Fiscal Year Ended June 30, 2008 (Unaudited)

The following is a summary of the budgeted revenues and expenditures for the Program from April 8, 1997 (inception) through June 30, 2008:

Actual:

Bonds Issued	\$ 2,400,000,000
Interest - From Inception to June 30, 2007	164,999,045
Interest - FY 2007-08	6,561,938
Local Income FY 2001-02	93,057
Interfund Transfer-Other Fund Sources (OFS) (Transfers in) FY 2006-07	1,153,058
Interfund Transfer-Other Fund Sources (Transfers in) FY 2007-08	<u>58,604,748</u>
Total Bonds issued, Interest/Local Income/OFS as of June 30, 2008	\$ 2,631,411,846
Less: Expenditures from Inception through June 30, 2008	<u>(2,485,597,338)</u>
Available fund balance as of June 30, 2008	\$ 145,814,508
Less Reserves- Relocation Revolving Fund	<u>(3,000,000)</u>
Available fund balance as of June 30, 2008	<u><u>\$ 142,814,508</u></u>



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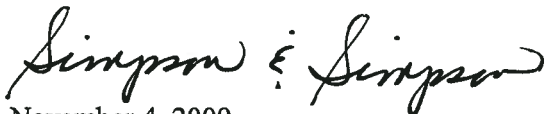
Independent Auditor's Report

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, 2008 and have issued our report thereon dated August 15, 2009. 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, 2008. 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 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, 2008, in conformity with U.S. generally accepted accounting principles.


November 4, 2009

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

Statement of Bond Expenditures

Period from November 5, 2002 (Inception) through June 30, 2008

Cost Category	Adjusted Budget (Unaudited)	Actual Expenditures Incurred			Unexpended Balance (Unaudited)
		November 5, 2002 (Inception) through June 30, 2007	Expenditure Year Ended June 30, 2008	Total Expenditure through June 30, 2008	
New Construction:					
Phase One:					
New Construction	\$ 1,493,285,152	1,259,097,033	92,641,639	1,351,738,672	141,546,480
Additions	68,387,143	66,369,468	2,017,675	68,387,143	-
Playground Expansion	16,573,373	16,419,217	154,156	16,573,373	-
Support Costs	7,249,179	7,153,739	95,440	7,249,179	-
Labor Costs	14,505,153	14,505,153	-	14,505,153	-
Total Phase One	1,600,000,000	1,363,544,610	94,908,910	1,458,453,520	141,546,480
Phase Two:					
New Construction	876,312,806	457,266,253	134,908,805	592,175,058	284,137,748
Land Acquisition	8,865,395	-	-	-	8,865,395
Additions	8,828,600	8,828,600	(1,075,315)	7,753,285	1,075,315
Playground Expansion	4,800	4,800	-	4,800	-
Support Costs	34,480,430	33,243,920	1,236,510	34,480,430	-
Labor Costs	37,626,972	22,659,931	(2,181,651)	20,478,280	17,148,692
Labor Legal Support	124,157	124,157	-	124,157	-
Office of the Inspector General Audit	10,871,344	5,672,612	1,144,126	6,816,738	4,054,606
Board Member Priority	200,000	-	-	-	200,000
Total Phase Two	977,314,504	527,800,273	134,032,475	661,832,748	315,481,756
Total New Construction	2,577,314,504	1,891,344,883	228,941,385	2,120,286,268	457,028,236
Existing Facilities:					
Lead and Asbestos Removal	11,316,000	9,334,017	1,360,024	10,694,041	621,959
Rep:	377,822,592	163,405,900	45,532,361	208,938,261	168,884,331
Repair Support Costs	131,694,437	56,671,414	26,131,606	82,803,020	48,891,417
Labor Legal Support	481,320	139,755	159,132	298,887	182,433
Office of the Inspector General Audit	3,750,000	2,893,020	626,646	3,519,666	230,334
Total Existing Facilities	525,064,349	232,444,106	73,809,769	306,253,875	218,810,474
Early Childhood Education:					
Renovation/Repair	13,271,605	6,581,148	1,280,700	7,861,848	5,409,757
Expansion	14,400,000	10,482,081	1,855,215	12,337,296	2,062,704
Education Center	39,600,000	2,119,654	6,124,516	8,244,170	31,355,830
Support Costs	311,791	311,791	-	311,791	-
Labor Costs	1,416,605	1,071,300	345,305	1,416,605	-
Total Early Childhood Education	69,000,001	20,565,974	9,605,736	30,171,710	38,828,291

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

Statement of Bond Expenditures

Period from November 5, 2002 (Inception) through June 30, 2008

Cost Category	Adjusted Budget (Unaudited)	Actual Expenditures Incurred			Unexpended Balance (Unaudited)
		November 5, 2002 (Inception) through June 30, 2007	Expenditure Year Ended June 30, 2008	Total Expenditure through June 30, 2008	
Information Technology Division:					
Indirect Support - ITD:					
Support Costs	1,885,200	61,165	596	61,761	1,823,439
Labor Costs	1,891,982	1,306,384	(250,363)	1,056,021	835,961
Non-Labor	2,244,300	1,879,767	(993)	1,878,774	365,526
Technical Support	10,000,003	8,293,774	933,502	9,227,276	772,727
Tech and Communication Infrastructure	76,907,345	67,007,446	5,852,711	72,860,157	4,047,188
Upgrading and Stocking Library	37,071,170	20,366,210	5,793,857	26,160,067	10,911,103
Total Information Technology Division	130,000,000	98,914,746	12,329,310	111,244,056	18,755,944
Charters	50,000,000	4,349,652	6,935,252	11,284,904	38,715,096
Joint Use	10,000,000	924,871	4,438,011	5,362,882	4,637,118
Others:					
Employee Benefits	5,944,431	2,976,078	295,330	3,271,408	2,673,023
Accruals	-	46,665,442	(9,003,005)	37,662,437	(37,662,437)
Interest Expended	104,124,245	58,316,657	24,861,406	83,178,063	20,946,182
Interfund Transfer from Measure K to Other Funds	55,244,549	34,330,833	20,913,716	55,244,549	-
Prior Year Adjustments- Expenditures Transfer	177,770,246	104,815,929	68,891,831	173,707,760	4,062,486
Unimplemented Budget Adjustment	(592,730,018)	-	-	-	(592,730,018)
Arbitrage Rebate	873,130	873,131	(62,952)	810,179	62,951
Cost of Issuance	5,482,312	5,482,312	-	5,482,312	-
Total Others	(243,291,105)	253,460,382	105,896,326	359,356,708	(602,647,813)
Total Measure K Bond Expenditures	\$ 3,118,087,749	\$ 2,502,004,614	\$ 441,955,789	\$ 2,943,960,403	\$ 174,127,346

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, 2008

(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 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. \$2.75 billion has since been issued between February 2003 and June 2008. 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, 2007 and FY 2007-08 budget authority requested from the Board of Education for costs that are expected to be expended and/or obligated to complete the various projects.

**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, 2008

(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, 2008. The negative bond expenditures for the year ended June 30, 2008 represent expenditures initially funded by Measure K in previous years, but subsequently funded through other financing sources in the current year.

(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, 2008 column.

(3) Fund Balances from Inception to Fiscal Year Ended June 30, 2008 (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, 2008:

Actual:

Bonds Issued - Inception through June 30, 2007	\$ 2,600,000,000
Bonds Issued - FY 2007-08	150,000,000
Interest - FY 2002-07	102,468,683
Interest - FY 2007-08	16,655,562
Interfund Transfer- Other Fund Sources (OFS) FY 2006-07	140,589,469
Interfund Transfer- Other Fund Sources FY 2007-08	102,891,720
Other Financing Sources- Bond Premium	5,482,315
Total Bonds issued and interest/OFS as of June 30, 2008	\$ 3,118,087,749
Less: Expenditures from Inception through June 30, 2008	(2,943,960,403)
Available Fund Balance as of June 30, 2008	\$ 174,127,346



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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, 2008 and have issued our report thereon dated August 15, 2009. 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, 2008. 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 of 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, 2008, in conformity with U.S. generally accepted accounting principles.

November 4, 2009

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

Statement of Bond Expenditures

Period from March 2, 2004 (Inception) through June 30, 2008

COST CATEGORY	Adjusted Budget (Unaudited)	Actual Expenditures Incurred			Unexpended Balance (Unaudited)
		March 2, 2004 (Inception) through June 30, 2007	Expenditure Year Ended June 30, 2008	Total Expenditure through June 30, 2008	
New Construction:					
New Schools Most Impact Campuses	\$ 1,754,051,737	165,320,750	354,275,965	519,596,715	1,234,455,022
Full- Day Kindergarten	34,016,750	24,891,200	4,134,589	29,025,789	4,990,961
Furnitures, Equipment, Fixtures	47,200,000	21,696,250	5,978,816	27,675,066	19,524,934
Interest Expended	38,616,032	3,059,041	3,123,167	6,182,208	32,433,824
Environment Safety	4,929,417	-	2,823,327	2,823,327	2,106,090
Total New Construction	1,878,813,936	214,967,241	370,335,864	585,303,105	1,293,510,831
Existing Facilities:					
A/C Heating	178,519,725	92,065,173	27,140,099	119,205,272	59,314,453
Asbestos Hazardous Removal	41,689,591	14,247,225	8,098,948	22,346,173	19,343,418
Basic Repairs	108,150,003	76,455,512	5,791,432	82,246,944	25,903,059
New Major Repairs	228,880,900	12,284,458	48,046,181	60,330,639	168,550,261
Previous Plan Projects	220,177,162	138,714,857	20,795,966	159,510,823	60,666,339
Repair Upgrade	252,060,270	143,481,413	11,427,884	154,909,297	97,150,973
Safety & Technology Upgrade	272,879,144	171,193,929	5,772,673	176,966,602	95,912,542
Upgrade School Buildings	20,035,267	7,059,965	3,029,157	10,089,122	9,946,145
Support Costs - Existing	193,917,887	69,729,946	58,511,227	128,241,173	65,676,714
Small Schools (Upgrade redesign campuses)	41,674,032	7,186,477	6,007,666	13,194,143	28,479,889
Total Existing Facilities	1,557,983,981	732,418,955	194,621,233	927,040,188	630,943,793
Adult Education	25,018,399	14,423,725	3,327,327	17,751,052	7,267,347
Early Childhood Education	50,039,196	9,781,801	3,128,767	12,910,568	37,128,628
Information Technology Division	140,630,253	15,167,719	22,057,897	37,225,616	103,404,637
Charters	20,086,948	6,722,661	2,776,065	9,498,726	10,588,222
Joint Use	20,000,515	13,507	3,132,934	3,146,441	16,854,074
Others:					
Accruals	1	25,636,645	11,731,290	37,367,935	(37,367,934)
Election Costs	2,719,535	2,719,535	-	2,719,535	-
Refinance COPS	150,000,000	149,994,712	-	149,994,712	5,288
Employee Benefits	2,121,642	1,484,980	620,678	2,105,658	15,984
Cost of Issuance	8,389,764	8,389,764	-	8,389,764	-
Prior Year Adjustment Expenditure Transfer	(1,934,097)	14,843,694	(24,025,353)	(9,181,659)	7,247,562
Interfund Transfer from Measure R to Other Funds	56,549,053	3,039,168	53,509,884	56,549,052	1
Unimplemented Budget Adjustment	(1,740,212,394)	-	-	-	(1,740,212,394)
Audit	3,555,000	-	1,903,921	1,903,921	1,651,079
Library Books	4,500,000	-	-	-	4,500,000
Total Others	(1,514,311,496)	206,108,498	43,740,420	249,848,918	(1,764,160,414)
Total Measure R Bond Expenditures	\$ 2,178,261,732	\$ 1,199,604,107	\$ 643,120,507	\$ 1,842,724,614	\$ 335,537,118

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, 2008

(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 Measure R School Bond issues 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. \$2.05 Billion has since been issued between March 2004 and June 2008. 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.

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 March 2, 2004 (inception) through June 30, 2007 and FY 2007-08 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 R SCHOOL BOND CONSTRUCTION PROGRAM**

Notes to Statement of Bond Expenditures

Period from March 2, 2004 (inception) to June 30, 2008

(b) Actual Expenditures 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 Los Angeles Unified School District for the period from March 2, 2004 (inception) through June 30, 2008.

(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, 2008 column.

(3) Fund Balances from Inception to Fiscal Year Ended June 30, 2008 (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, 2008:

Actual:

Bond Issued - Inception through June 30, 2007	\$ 1,500,000,000
Bond Issued - FY 2007-08	550,000,000
Interest FY 2005-07	38,616,032
Interest FY 2007-08	29,149,184
Income - FY 2006-07	6,420,198
Income - FY 2007-08	3,638,220
Interfund Transfer (IFT) - Other Fund Sources FY 2005-07	2,620,882
Interfund Transfer- Other Fund Sources FY 2007-08	36,734,638
Other Financing Sources - Bond Premium FY 2005-08	11,082,578
Total Bonds Issued, Interest and Income/IFT as of June 30, 2008	2,178,261,732
Less : Expenditures from Inception through June 30, 2008	<u>(1,842,724,614)</u>
Available Fund balance as of June 30, 2008	<u>\$ 335,537,118</u>



SIMPSON & SIMPSON
CERTIFIED PUBLIC ACCOUNTANTS

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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, 2008 and have issued our report thereon dated August 15, 2009. 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, 2008. 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, 2008 in conformity with U.S. generally accepted accounting principles.

Simpson & Simpson

November 4, 2009

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

Statement of Bond Expenditures

Period from November 8, 2005 (Inception) through June 30, 2008

Cost Category	Actual Expenditures Incurred				
	Adjusted Budget (Unaudited)	November 8, 2005 (Inception) through June 30, 2007	Expenditure Year Ended June 30, 2008	Total Expenditure through June 30, 2008	Unexpended Balance (Unaudited)
New Construction:					
School Construction	\$ 49,881,693	(533,302)	11,621,918	11,088,616	38,793,077
Labor Compliance Penalties	700,000		-	-	700,000
Total New Construction	50,581,693	(533,302)	11,621,918	11,088,616	39,493,077
Existing Facilities:					
Major Repairs	55,288,584	1,128,384	4,334,276	5,462,660	49,825,924
Bungalow Repair And Removal	12,000,000	-	-	-	12,000,000
Basic Repairs	21,911,001	816,093	777,976	1,594,069	20,316,932
Install And Upgrade Fire Alarm Systems	77,140,000	545,894	4,099,029	4,644,923	72,495,077
Program Support	97,085,635	37,529,467	34,168,573	71,698,040	25,387,595
A/C & Heating	10,500,000	-	-	-	10,500,000
Upgrade Deficient School Buildings	40,628,348	54,061	1,375,028	1,429,089	39,199,259
Asbestos Hazard Removal	55,560,000	77,215	6,866,582	6,943,797	48,616,203
Alterations And Improvement	48,720,000	232,648	3,454,108	3,686,756	45,033,244
Bond Support Costs	25,994,812	-	1,716,033	1,716,033	24,278,779
Small Learning Community	12,908,353	11,152	614,341	625,493	12,282,860
Total Existing Facilities	457,736,733	40,394,914	57,405,946	97,800,860	359,935,873
Achievement Gap	14,798,955	488,647	2,734,586	3,223,233	11,575,722
Adult Education	9,382,969	8,876,095	(8,369,221)	506,874	8,876,095
Early Childhood Education	28,000,000	-	325,988	325,988	27,674,012
Information Technology Division	75,315,503	1,320,266	1,066,180	2,386,446	72,929,057
Innovation	80,000,001	2,224,995	9,959,972	12,184,967	67,815,034
Joint Use	10,000,000	-	-	-	10,000,000
Others:					
Accruals	35,523,807	752,813	14,375,884	15,128,697	20,395,110
Employee Benefits	124,207	20,156	104,051	124,207	-
Interest - New Construction	27,512,310	-	-	-	27,512,310
Prior Year Adjustments- Expenditures Transfer	3,448,691	(5,034,665)	5,997,947	963,282	2,485,409
Interfund Transfer to General Fund for Deferred Maintenance	90,000,000	60,000,000	30,000,000	90,000,000	-
Cost of Issuance	6,671,876	6,671,876	-	6,671,876	-
Interfund Transfer to Capital Service Fund (071)	178,617,579	178,617,579	-	178,617,579	-
Interfund Transfer from Measure Y to Other Funds	13,097,536	10,768,287	2,329,249	13,097,536	-
Unimplemented Budget Adjustment	(342,693,793)	-	-	-	(342,693,793)
Total Others	12,302,213	251,796,046	52,807,131	304,603,177	(292,300,964)
Total Measure Y Bond Expenditures	\$ 738,118,067	\$ 304,567,661	\$127,552,500	\$432,120,161	\$ 305,997,906

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, 2008

(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 Measure Y School Bond issues are used for the purposes stated in the resolution, which placed Measure Y on the 2005 ballot. The Measure Y School Bond initiative authorized the issuance of \$3.985 billion in bonds. \$0.694 billion has since been issued between November 2005 and June 2008. 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.

All projects are managed by District-approved District 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.

**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, 2008

(a) Adjusted Budget (Unaudited)

The amounts included within the adjusted budget (unaudited) column in the accompanying statement of bond expenditures represent the prior year budgeted expenditures from November 8, 2005 (inception) through June 30, 2007 and FY 2007-08 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.

(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, 2008.

(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, 2008 column.

(3) Fund Balances from Inception to Fiscal Year Ended June 30, 2008 (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, 2008:

Actual:

Bonds Issued - Inception through June 30, 2007	\$ 394,385,000
Bonds Issued - FY 2007-08	300,000,000
Other Funding Sources (OFS) - Actual FY 2005-06	6,614,884
Interest - FY 2005-07	10,983,742
Interest - FY 2007-08	16,528,568
Interfund Transfer- Other Fund Sources (OFS) FY 2005-07	1,457
Interfund Transfer- Other Fund Sources FY 2007-08	8,908,714
Local Income-FY 2006-07	326,257
Local Income-FY 2007-08	369,445
Total Bonds Issued and Interest/OFS as of June 30, 2008	\$ 738,118,067
Less: Expenditures from Inception through June 30, 2008	(432,120,161)
Available Fund Balance as of June 30, 2008	\$ 305,997,906