

**LONG BEACH UNIFIED SCHOOL DISTRICT**

**PROPOSITION 39 GENERAL OBLIGATION BONDS  
MEASURE K, NOVEMBER 2008  
FINANCIAL AND PERFORMANCE AUDITS**

**Fiscal Year Ended June 30, 2015**



**LONG BEACH UNIFIED SCHOOL DISTRICT**  
**PROPOSITION 39 GENERAL OBLIGATION BONDS**  
**MEASURE K**  
**FINANCIAL AND PERFORMANCE AUDITS**

**June 30, 2015**

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**INDEPENDENT AUDITOR'S REPORT ON THE  
PROPOSITION 39 GENERAL OBLIGATION BOND  
FINANCIAL STATEMENTS**

The Board of Education  
The Citizens' Oversight Committee  
Long Beach Unified School District  
1515 Hughes Way  
Long Beach, California 90810

**Report on the Financial Statements**

We have audited, in accordance with auditing standards generally accepted in the United States of America, the basic financial statements of the Long Beach Unified School District, as of and for the fiscal year ended June 30, 2015, and have issued our report thereon dated November 23, 2015. We have also audited the accompanying financial statements of the Measure K Bond Fund of the Long Beach Unified School District as of and for the fiscal year ended June 30, 2015, and the related notes to the financial statements as listed in the table of contents.

**Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

**Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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The Board of Education  
The Citizens' Oversight Committee  
Long Beach Unified School District

## **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Measure K Bond Fund of the Long Beach Unified School District as of June 30, 2015, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report November 23, 2015 on our consideration of the Long Beach Unified School District's internal control over the Measure K Bond Fund financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over the Measure K Bond Fund financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Long Beach Unified School District's internal control over the Measure K Bond Fund financial reporting and compliance.



VICENTI, LLOYD & STUTZMAN LLP  
Glendora, California  
November 23, 2015

**LONG BEACH UNIFIED SCHOOL DISTRICT**

**BALANCE SHEET  
MEASURE K BOND FUND**

**June 30, 2015**

**ASSETS**

Cash in County Treasury	\$ 265,711,239
Accounts Receivable	<u>685,347</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 266,396,586</u></b>

**LIABILITIES AND FUND BALANCE**

**LIABILITIES**

Accounts Payable	<u>25,858,388</u>
<b>TOTAL LIABILITIES</b>	<b><u>25,858,388</u></b>

**FUND BALANCE**

Restricted	<u>240,538,198</u>
<b>TOTAL FUND BALANCE</b>	<b><u>240,538,198</u></b>

<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<b><u>\$ 266,396,586</u></b>
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See the accompanying notes to the financial statements.

**LONG BEACH UNIFIED SCHOOL DISTRICT**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCE  
MEASURE K BOND FUND**

**For the Fiscal Year Ended June 30, 2015**

<b>REVENUES</b>	
Interest Income	\$ 918,270
<b>TOTAL REVENUES</b>	<u>918,270</u>
<b>EXPENDITURES</b>	
Classified Salaries	119,897
Benefits	43,813
Supplies	337,985
Services and Other Expenditures	10,135,213
Capital Outlay	<u>97,018,012</u>
<b>TOTAL EXPENDITURES</b>	<u>107,654,920</u>
Deficiency of revenues over expenditures	<u>(106,736,650)</u>
<b>OTHER FINANCING SOURCES</b>	
Proceeds from sale of general obligation bonds	<u>269,998,410</u>
<b>TOTAL OTHER FINANCING SOURCES</b>	<u>269,998,410</u>
Net change in fund balance	163,261,760
Fund Balance at Beginning of Year	<u>77,276,438</u>
Fund Balance at End of Year	<u>\$ 240,538,198</u>

See the accompanying notes to the financial statements.

**LONG BEACH UNIFIED SCHOOL DISTRICT**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCE  
BUDGET AND ACTUAL - MEASURE K BOND FUND  
For the Fiscal Year Ended June 30, 2015**

	<b>Budget*</b>	<b>Actual</b>	<b>Variance Favorable (Unfavorable)</b>
<b>REVENUES</b>			
Interest Income	\$ 1,025,000	\$ 918,270	\$ (106,730)
<b>TOTAL REVENUES</b>	<u>1,025,000</u>	<u>918,270</u>	<u>(106,730)</u>
<b>EXPENDITURES</b>			
Classified Salaries	100,404	119,897	(19,493)
Benefits	37,725	43,813	(6,088)
Supplies	26,854,275	337,985	26,516,290
Contracted Services and Other Expenditures	46,124,843	10,135,213	35,989,630
Capital Outlay	<u>275,143,248</u>	<u>97,018,012</u>	<u>178,125,236</u>
<b>TOTAL EXPENDITURES</b>	<u>348,260,495</u>	<u>107,654,920</u>	<u>240,605,575</u>
Excess (Deficiency) of revenues over expenditures	<u>(347,235,495)</u>	<u>(106,736,650)</u>	<u>(240,498,845)</u>
<b>OTHER FINANCING SOURCES</b>			
Proceeds from sale of general obligation bonds	<u>269,998,410</u>	<u>269,998,410</u>	<u>-</u>
<b>TOTAL OTHER FINANCING SOURCES</b>	<u>269,998,410</u>	<u>269,998,410</u>	<u>-</u>
Net changes in fund balances	<u>\$ (77,237,085)</u>	<u>163,261,760</u>	<u>\$ (240,498,845)</u>
Fund Balance at Beginning of Year		<u>77,276,438</u>	
Fund Balance at End of Year		<u>\$ 240,538,198</u>	

\*The budget for revenues reflects estimated amounts to be received in the current year. The budget for expenditures reflects amounts remaining and available for current and subsequent years' expenditures and does not necessary coincide with actual planned expenditures in the current year.

See the accompanying notes to the financial statements.

**LONG BEACH UNIFIED SCHOOL DISTRICT  
MEASURE K BOND FUND**

**NOTES TO FINANCIAL STATEMENTS  
June 30, 2015**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:**

**ACCOUNTING POLICIES**

The accompanying financial statements have been prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board and *Audits of State and Local Governmental Units* issued by the American Institute of Certified Public Accountants.

**FUND STRUCTURE**

The Statement of Revenues, Expenditures and Change in Fund Balance is a statement of financial activities of the Measure K Bond Fund related to the current reporting period. Expenditures frequently include amounts for land, buildings, equipment, retirement of indebtedness, transfers to other funds, etc. Consequently, this statement does not purport to present the results of operations or the net income or loss for the period as would a statement of income for a profit-type organization.

**BASIS OF ACCOUNTING**

The Measure K Bond Fund of the Long Beach Unified School District (the District) is maintained on the modified accrual basis of accounting. As such, revenues are recognized when they become susceptible to accrual, which is to say, when they become both measurable and available to finance expenditures of the current period. Expenditures are recognized in the accounting period in which the liability is incurred (when goods are received or services rendered).

Cash in the County Treasury is recorded at cost, which approximates fair value, in accordance with the requirements of the Governmental Accounting Standards Board.

**BUDGET**

The Statement of Revenues, Expenditures and Change in Fund Balance – Budget and Actual includes a column titled “Budget”. The amounts in this column represent the budget adopted by the Board and all amendments throughout the year.



**LONG BEACH UNIFIED SCHOOL DISTRICT  
MEASURE K BOND FUND**

**NOTES TO FINANCIAL STATEMENTS  
June 30, 2015**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)**

**FUND BALANCE CLASSIFICATION**

The governmental fund financial statements present fund balance classifications that comprise a hierarchy based on the extent to which the District is bound to honor constraints on the specific purposes for which amounts can be spent. Amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation are considered restricted. The fund balance of the Measure K Bond Fund is therefore classified as restricted.

**CAPITAL ASSETS AND LONG-TERM DEBT**

The accounting and reporting treatment applied to the capital assets and long-term liabilities associated with the Measure K Bond Fund are determined by its measurement focus. The fund is accounted for on a spending or “financial flow” measurement focus. This means that only current assets and current liabilities are generally included on the balance sheet. The reported fund balance is considered a measure of “available spendable resources”. Thus, the capital assets and long-term liabilities associated with the Measure K Bond Fund are accounted for in the basic financial statements of the District.

**ESTIMATES**

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from these estimates.

**NOTE 2 - DEPOSITS – CASH IN COUNTY TREASURY:**

In accordance with Education Code Section 41001, the District maintains all of its cash in the Los Angeles County Treasury as part of the common investment pool. These pooled funds are carried at amortized costs which approximates fair value. Fair value of the pooled investments at June 30, 2015 is measured at 99.80% of amortized cost.

**LONG BEACH UNIFIED SCHOOL DISTRICT  
MEASURE K BOND FUND**

**NOTES TO FINANCIAL STATEMENTS  
June 30, 2015**

**NOTE 2 - DEPOSITS – CASH IN COUNTY TREASURY: (continued)**

The County is authorized to deposit cash and invest excess funds by California Government Code Section 53648 et. seq. The county is restricted by Government Code Section 53635 pursuant to Section 53601 to invest in time deposits, U.S. government securities, state registered warrants, notes or bonds, State Treasurer's investment pool, bankers' acceptances, commercial paper, negotiable certificates of deposit, and repurchase or reverse repurchase agreements. The funds maintained by the County are either secured by federal depository insurance or are collateralized. The County investment pool is not required to be rated. Interest earned is deposited quarterly into participating funds. Any investment losses are proportionately shared by all funds in the pool.

**NOTE 3 – EXCESS OF EXPENDITURES OVER APPROPRIATIONS:**

Excess of expenditures over appropriations, by major object accounts, occurred for the year ended June 30, 2015 as follows:

- Classified salaries - \$19,493
- Benefits - \$6,088

**NOTE 4 – BONDED DEBT:**

On November 4, 2008, the voters approved the issuance of bonds, not to exceed \$1,200,000,000. On April 7, 2009, the District issued General Obligation Bonds, Election 2008, Series A of \$260,000,000 serial and term bonds. The bonds were issued for the purpose of refunding the District's outstanding 2008 Capital Project Notes and paying for the cost of new construction, reconstruction or modernization of some or all of the schools within the District.

On April 19, 2011, the District issued General Obligation Bonds, Election 2008, Series B and B-1 of \$3,020,686 capital appreciation serial bonds and \$72,406,000 of Qualified School Construction Bonds. These bonds are being issued to finance the acquisition, construction, rehabilitation and equipping of classrooms and school facilities within the District, and to pay the costs of issuing these bonds.

**LONG BEACH UNIFIED SCHOOL DISTRICT  
MEASURE K BOND FUND**

**NOTES TO FINANCIAL STATEMENTS  
June 30, 2015**

**NOTE 4 – BONDED DEBT: (continued)**

Capital appreciation bonds were issued as part of the 2008 Measure K, Series B issuance with maturity dates from August 1, 2034 through August 1, 2035. Prior to the maturity date, the bond will accrete interest on the principal component.

The Series B-1 bonds are being designated as “Qualified School Construction Bonds” for purposes of the American Recovery and Reinvestment Act of 2009. With respect to the Series B-1 bonds, the District expects to receive, on or about each bond payment date, a cash subsidy payment from the United States Treasury equal to the amount of interest determined at a federal tax credit rate under Section 54A(b)(3) of the tax code. The District will deposit the cash subsidy with the county to be credited to the Bond Interest and Redemption Fund for debt service payments.

On May 15, 2013, the District issued General Obligation Bonds, Election 2008, Series C of \$50,000,000 serial bonds. These bonds are being issued to finance the repair, upgrading, acquisition, construction and equipping of certain District sites and facilities and to pay the costs of issuing these bonds.

On February 19, 2015, the District issued General Obligation Bonds, Election 2008, Series D of \$180,000,000 current interest bonds and Series D-1 of \$89,998,410 capital appreciation bonds. These bonds are being issued to finance the repair, upgrading, acquisition, construction and equipping of certain District sites and facilities and to pay the costs of issuing these bonds.

Capital appreciation bonds were issued as part of the 2008 Series D-1 issuance with maturity dates from August 1, 2026 through 2039. Prior to their applicable maturity dates, each capital appreciation bond will accrete interest on the principal component.

The outstanding bonded debt for the Long Beach Unified School District at June 30, 2015 is:

Measure K	Date of Issue	Interest Rate %	Maturity Date	Amount of Original Issue	Outstanding July 1, 2014	Issued Current Year	Principal Payment Current Year	Outstanding June 30, 2015
Series A	4/07/2009	3.5%-5.0%	8/1/2033	\$ 260,000,000	193,930,000	\$	\$ 10,335,000	\$ 183,595,000
Series B	4/19/2011	7.26%-7.33%	8/1/2035	3,020,686	3,020,686			3,020,686
Series B-1	4/19/2011	5.314%-5.914%	8/1/2025	72,406,000	72,406,000			72,406,000
Series C	5/15/2013	1.0%-4.0%	8/1/2037	50,000,000	41,260,000		7,250,000	34,010,000
Series D	2/19/2015	3.0%-4.0%	8/1/2043	180,000,000		180,000,000		180,000,000
Series D-1	2/19/2015	3.33%-4.31%	8/1/2039	89,998,410		89,998,410		89,998,410
				<u>\$ 655,425,096</u>	<u>\$ 310,616,686</u>	<u>\$ 269,998,410</u>	<u>\$ 17,585,000</u>	<u>\$ 563,030,096</u>

**LONG BEACH UNIFIED SCHOOL DISTRICT  
MEASURE K BOND FUND**

**NOTES TO FINANCIAL STATEMENTS  
June 30, 2015**

**NOTE 4 – BONDED DEBT: (continued)**

The annual requirements to amortize all bonds payable, outstanding as of June 30, 2015, are as follows:

<b>Year Ended June 30,</b>	<b>Principal</b>	<b>Interest</b>	<b>Accreted Interest</b>	<b>Total</b>
2016	\$ 21,565,000	\$ 21,187,521	\$	\$ 42,752,521
2017	21,580,000	20,686,611		42,266,611
2018	17,515,000	19,834,011		37,349,011
2019	17,080,000	19,016,986		36,096,986
2020	14,050,000	18,286,886		32,336,886
2021-2025	91,876,000	78,339,346		170,215,346
2026-2030	78,387,228	69,652,801	12,567,773	160,607,802
2031-2035	76,050,946	95,839,311	23,739,529	195,629,786
2036-2040	65,595,922	118,029,277	97,244,077	280,869,276
2041-2044	<u>159,330,000</u>	<u>13,384,800</u>	<u>20,649,525</u>	<u>193,364,325</u>
Total	<u>\$ 563,030,096</u>	<u>\$ 474,257,550</u>	<u>\$ 154,200,904</u>	<u>\$ 1,191,488,550</u>

The repayment of the debt related to the Measure K General Obligation Bonds is accounted for in the District's Bond Interest and Redemption Fund which is part of the District's basic financial statements. In addition, the long term debt is reported in the government wide statements of the District's basic financial statements and is not part of the financial statements reported herein.

**NOTE 5 – COMMITMENTS AND CONTINGENCIES:**

**A. Purchase Commitments:**

As of June 30, 2015, the District was committed under various capital expenditure purchase agreements for construction and modernization projects to be paid by Measure K funds totaling approximately \$106,664,421. Projects will be funded through bond proceeds.

**LONG BEACH UNIFIED SCHOOL DISTRICT  
MEASURE K BOND FUND**

**NOTES TO FINANCIAL STATEMENTS  
June 30, 2015**

**NOTE 5 –COMMITMENTS AND CONTINGENCIES: (continued)**

**B. Litigation:**

The District is involved in various claims and legal actions related to various construction projects. In the opinion of management, the ultimate disposition of these matters will not have a material adverse effect on the District's Measure K Bond Fund financial statements.

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL  
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND  
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE  
WITH GOVERNMENT AUDITING STANDARDS**

The Board of Education  
The Citizens' Oversight Committee  
Long Beach Unified School District  
1515 Hughes Way  
Long Beach, California 90810

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the Balance Sheet, Statement of Revenues, Expenditures and Change in Fund Balance and Statement of Revenues, Expenditures and Change in Fund Balance – Budget and Actual for the Measure K Bond Fund of the Long Beach Unified School District (the District), as of and for the fiscal year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's Measure K Bond financial statements, and have issued our report thereon dated November 23, 2015.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the District's internal control over the Measure K Bond Fund financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency or a combination of deficiencies in internal control such that there is a reasonable possibility that a material misstatement of the financial statements will not be prevented or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL  
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND  
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE  
WITH GOVERNMENT AUDITING STANDARDS**

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the District's Measure K Bond Fund financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under *Government Auditing Standards*.

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



VICENTI, LLOYD & STUTZMAN LLP  
Glendora, California  
November 23, 2015

**LONG BEACH UNIFIED SCHOOL DISTRICT  
MEASURE K BOND FUND PROGRAM**

**SCHEDULE OF FINDINGS AND RESPONSES  
June 30, 2015**

There were no findings related to the financial audit of the Measure K Bond Fund for the fiscal years ended June 30, 2015 and June 30, 2014.



**PERFORMANCE AUDIT OF THE MEASURE K BOND PROGRAM**

**INDEPENDENT AUDITOR'S REPORT  
ON THE PROPOSITION 39 GENERAL OBLIGATION BOND  
COMPLIANCE REQUIREMENTS**

The Board of Education  
The Citizens' Oversight Committee  
Long Beach Unified School District  
1515 Hughes Way  
Long Beach, California 90810

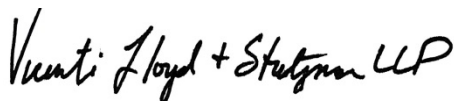
We have conducted a performance audit of the Long Beach Unified School District (the "District"), Measure K General Obligation Bond program for the year ended June 30, 2015.

We conducted our performance audit in accordance with *Governmental Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Our audit was limited to the objectives listed on page 17 of this report which includes determining the District's compliance with the performance requirements for the Proposition 39 Measure K General Obligation Bonds under Section 1(b)(3)(C) of Article XIII A of the California Constitution and Proposition 39 as they apply to the Bonds and the net proceeds thereof. Management is responsible for the District's compliance with those requirements.

Solely to assist us in planning and performing our performance audit, we obtained an understanding of the internal control of the District to determine if internal controls were adequate to help ensure the District's compliance with the requirements of Proposition 39, as specified by Section 1(b)(3)(C) of Article XIII A of the California Constitution. Accordingly, we do not express any assurance on internal control.

The results of our tests indicated that, in all significant respects, Long Beach Unified School District expended Measure K Bond Program funds for the year ended June 30, 2015 only for the specific projects developed by the District's Board of Education and approved by the voters, in accordance with the requirements of Proposition 39, as specified by Section 1(b)(3)(C) of Article XIII A of the California Constitution.



VICENTI, LLOYD & STUTZMAN LLP  
Glendora, California  
November 23, 2015

# **LONG BEACH UNIFIED SCHOOL DISTRICT**

## **MEASURE K BOND PROGRAM PERFORMANCE AUDIT**

**Fiscal Year Ending June 30, 2015**

### **BACKGROUND INFORMATION**

In November 2000 the voters of the State of California approved Proposition 39 authorizing the issuance of general obligation bonds by California public school district's and community colleges, under certain circumstances and subject to certain conditions. In November 2008, a general obligation bond proposition (Measure K) of the Long Beach Unified School District was approved by the voters of the District. Measure K authorized the District to issue up to \$1.2 billion of general obligation bonds to finance various capital projects, and related costs.

The Priority School Project Lists section of the Measure K ballot language makes reference to the District's 2009 Facilities Master Plan for the specific projects that the District proposes to finance with the proceeds from the Measure K bonds. Listed projects are completed as needed at a particular school site according to Board-approved Project Listing Recommendations (per page 19b of the 2009 Facilities Master Plan). The Project Listing Recommendations were formulated by the District's Internal Executive Committee, and reflect recommendations made by the district's Community Advisory Committee.

Pursuant to the requirements of Proposition 39, and related state legislation, the Board of Education of the District established a Citizens' Oversight Committee and appointed its members. The principal purpose of the Citizens' Oversight Committee, as set out in state law, is to inform the public as to the expenditures of the proceeds of the bonds issued pursuant to the Measure K bond authorization. The Citizens' Oversight Committee is required to issue at least one report annually as to its activities and findings.

Section 1(b)(3)(C) of Article XIII A of the California Constitution requires the District to conduct an annual independent performance audit to ensure that the proceeds of the bonds deposited into the Measure K Bond Fund have been expended only for the authorized bond projects. Consistent with this provision, Section 15286 of the California Education Code requires the performance audit to be conducted in accordance with Government Auditing Standards issued by the Comptroller General of the United States and be submitted to the Citizens' Oversight Committee by March 31 of each year.

# **LONG BEACH UNIFIED SCHOOL DISTRICT**

## **MEASURE K BOND PROGRAM PERFORMANCE AUDIT**

**Fiscal Year Ending June 30, 2015**

### **OBJECTIVES**

The objectives of our performance audit were to:

- Obtain documentation for the expenditures charged to the Long Beach Unified School District Measure K Bond Program.
- Determine whether expenditures charged to the Measure K Bond Program funds have been made in accordance with the bond project list approved by the voters through the approval of Measure K in November 2008.
- Note incongruities or system weaknesses and provide recommendations for improvement.
- Provide the District Board of Education and the Citizens' Oversight Committee with a performance audit as required under the requirements of the California Constitution and Proposition 39.

### **SCOPE OF THE AUDIT**

The scope of our performance audit covered the fiscal period from July 1, 2014 to June 30, 2015. Our sample selection considered object and project codes associated with the bond projects. However, not all planned projects incurred expenditures in the current year, and not all projects with expenditures were tested. The propriety of expenditures for capital projects and maintenance projects funded through state or local funding sources, other than the proceeds of the bonds, were not included within the scope of our audit. Expenditures incurred subsequent to June 30, 2015, were not reviewed or included within the scope of our audit or in this report.

**LONG BEACH UNIFIED SCHOOL DISTRICT**

**MEASURE K BOND PROGRAM  
PERFORMANCE AUDIT**

**Fiscal Year Ending June 30, 2015**

**PROCEDURES PERFORMED**

We obtained the general ledger and the project expenditure reports prepared by the District for the fiscal year ended June 30, 2015 for the Measure K Bond Program. Within the fiscal year audited, we obtained the actual invoices and other supporting documentation for expenditures to ensure compliance with the requirements of Proposition 39 and Measure K with regards to the approved bond projects list. We performed the following procedures:

- We reviewed the projects listed to be funded with general obligation bond proceeds as set out in the Measure K election documents.
- We selected a sample of expenditures for the fiscal year ended June 30, 2015, and reviewed supporting documentation to ensure that such funds were properly expended on the authorized bond projects.
- The District expended \$107,654,920 during fiscal year ended June 30, 2015 on the projects outlined on the following page. Our sample included 91 vendor transactions and payable documents totaling \$59,774,683 which represents 56% of total expenditures.

# LONG BEACH UNIFIED SCHOOL DISTRICT

## MEASURE K BOND PROGRAM PERFORMANCE AUDIT

Fiscal Year Ending June 30, 2015

### PROCEDURES PERFORMED (continued)

	<b>Expenditures for Fiscal Year Ended 6/30/2015</b>
<b>Construction Projects:</b>	
Master Plan Projects	\$ 5,303,723
ECATS/McBride HS at the former DeMille Site	52,524
GTE South Middle School at the former GTE Site	128,750
New High School # 2 at the former Browning Site	17,204,738
Roosevelt ES New Construction	6,151,102
Jordan High School Major Renovation	14,899,786
Cabrillo High School Pool	36,943
Fire Alarm, Intercom & Clock replacement Phase 1	969,323
Fire Alarm, Intercom & Clock replacement Phase 2	1,167,977
Boiler Replacement Phase 1	91,755
Portable Removal Phase II	110,016
Portable Removal Phase III	1,079,289
Newcomb Middle School AB300 / New Construction	31,956,051
AB300 Projects (Wilson)	3,408,205
Bancroft MS Gym AB300	3,783,367
DSA Certification Projects	25,254
Access Compliance	16,193
Butler Projects	58,007
Telecommunications Phase I	1,311,055
Intercom and Clock System	28,445
Security Technology and Infrastructure	362,246
Hill MS Gym	157,949
Hamilton MS Gym	5,217
Hoover MS Gym	3,462,061
Poly Tech HS Auditorium	4,214,886
Wilson AB300	430,265
CAMS Technology and Site Improvements	730,412
Jordan Major Renovation Phase IV	714,660
Wireless & Data Communication Phase II	1,908,708
Engineering and Design	(1,500)
Public services	(19,555)
Jordan HS Major Renovation II	39,170
Jordan HS Major Revenovation phase V	12,563
Jordan HS Major Revenovation phase VI	35,741
Jordan HS Interim Housing	3,355,433
New HS#5 - Hill	255,531
Renaissance HS Major revention/addition	1,635,009
Willard Elem Minor revention/addition	1,163,040
Washington MS DSA Cert.	129,778
Lowell ES ADA	1,523
Lakewood DSA Certification	7,341
Jordan HS Major Re	138,296
Wilson DSA certificaion	635,829
Educare/Barton Project	158,862
Keller Conversion to Middle School	13,952
Bond Issue Costs	325,000
<b>Total</b>	<b>\$ 107,654,920</b>

**LONG BEACH UNIFIED SCHOOL DISTRICT**

**MEASURE K BOND PROGRAM  
PERFORMANCE AUDIT**

**Fiscal Year Ending June 30, 2015**

**PROCEDURES PERFORMED** (continued)

- We verified on a sample basis that the Measure K Bond Program funds were generally expended for the construction, reconstruction, acquisition, furnishing and equipping of District facilities constituting the authorized bond projects and we verified that funds held in the Measure K Bond Fund were not used for salaries of school administrators or other operating expenses of the District. We noted that \$163,710 was expended on salaries and benefits for employees dedicated to management of Measure K projects as allowable per Opinion 04-110 issued on November 9, 2004 by the State of California Attorney General.

**RESULTS OF PROCEDURES:**

The results of our tests indicated that, in all significant respects, Long Beach Unified School District has properly accounted for the expenditures of the funds of the Measure K Bond Program and that such expenditures were made on authorized bond projects. Further, it was noted that the funds of the Measure K Bond Program were not expended for salaries of school administrators or other operating expenditures.