

LONG BEACH UNIFIED SCHOOL DISTRICT
PROPOSITION 39 GENERAL OBLIGATION BONDS
BOND BUILDING FUNDS
MEASURE K AND MEASURE E
FINANCIAL AND PERFORMANCE AUDITS

June 30, 2018

Long Beach Unified School District

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June 30, 2018

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**FINANCIAL AUDIT OF THE
MEASURE K AND MEASURE E
BOND BUILDING FUNDS**

INDEPENDENT AUDITORS' REPORT

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

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 (the District) as of and for the fiscal year ended June 30, 2018, and have issued our report thereon dated November 27, 2018. We have also audited the accompanying financial statements of the Measure K (November 2008) Measure E (November 2016) Bond Building Funds of the District as of and for the fiscal year ended June 30, 2018, 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.

Auditors' 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.

INDEPENDENT AUDITORS' REPORT

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

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, the auditor considers 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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Measure K (November 2008) and Measure E (November 2016) Bond Building Funds of the District as of June 30, 2018, and the changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1, the financial statements present fairly only the Measure K (November 2008) and the Measure E (November 2016) Bond Building Funds and do not purport to, and do not, present fairly the financial position of the District as of June 30, 2018 or the change in its financial position for the year then ended in according with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

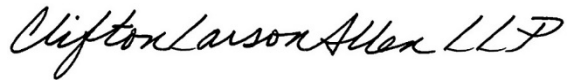
Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 27, 2018 on our consideration of the District's internal control over the Measure K (November 2008) and Measure E (November 2016) Bond Building Funds 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 solely 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 effectiveness of the District's internal control over the

INDEPENDENT AUDITORS' REPORT

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

Measure K (November 2008) and Measure E (November 2016) Bond Building Funds financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over the Measure K (November 2008) and Measure E (November 2016) Bond Building Funds financial reporting and compliance.



CliftonLarsonAllen LLP
Glendora, California
November 27, 2018

**LONG BEACH UNIFIED SCHOOL DISTRICT
MEASURE K AND MEASURE E BOND BUILDING FUNDS**

**BALANCE SHEET
June 30, 2018**

	Measure K	Measure E
<u>Assets</u>		
Cash in county treasury	\$ 172,006,701	\$ 253,385,090
Accounts receivable	1,096,342	1,476,408
Prepaid expenditures	323,419	-
Total Assets	\$ 173,426,462	\$ 254,861,498
 <u>Liabilities and Fund Balance</u>		
Liabilities		
Accounts payable	\$ 40,059,456	\$ 45,665,693
Total Liabilities	40,059,456	45,665,693
 Fund Balance		
Restricted	133,367,006	209,195,805
Total Fund Balance	133,367,006	209,195,805
Total Liabilities and Fund Balance	\$ 173,426,462	\$ 254,861,498

See the accompanying notes to the financial statements

**LONG BEACH UNIFIED SCHOOL DISTRICT
MEASURE K AND MEASURE E BOND BUILDING FUNDS**

**STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE
For the Fiscal Year Ended June 30, 2018**

	Measure K	Measure E
Revenues		
Interest income	\$ 3,265,755	\$ 4,414,048
Total Revenues	3,265,755	4,414,048
 Expenditures		
Classified salaries	778,485	747,986
Benefits	364,059	357,540
Supplies	8,593,065	368,620
Services and other expenditures	4,275,052	1,833,577
Capital outlay	88,701,138	89,463,432
Total Expenditures	102,711,799	92,771,155
Deficiency of revenues over expenditures	(99,446,044)	(88,357,107)
 Fund Balance at Beginning of Year	232,813,050	297,552,912
 Fund Balance at End of Year	\$ 133,367,006	\$ 209,195,805

See the accompanying notes to the financial statements

**LONG BEACH UNIFIED SCHOOL DISTRICT
MEASURE K AND MEASURE E BOND BUILDING FUNDS**

**NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2018**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Accounting Policies

The accompanying financial statements have been prepared in conformity with 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.

Cash in the county treasury is recorded at cost, which approximates fair value.

Financial Reporting Entity

The financial statements include only the Measure K (November 2008) and Measure E (November 2016) Bond Building Funds (“the Bond Funds) of the District. These funds were established to account for the proceeds of general obligation bonds issued under the General Obligation Bond Election of November 2008 for Measure K and November 2016 for Measure E and to account for the project expenditures authorized by each measure. These financial statements are not intended to present fairly the financial position and results of operations of the District in compliance with accounting principles generally accepted in the United States of America and are not a complete representation of the Building Fund reported in the District’s financial statements.

Basis of Accounting

The Bond Funds are 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).

Fund Structure

The Statement of Revenues, Expenditures and Changes in Fund Balance is a statement of financial activities of the Bond Funds related to the current reporting period. Fund expenditures frequently include amounts for land, buildings, equipment, retirement of indebtedness, transfers to other funds, etc. Consequently, these statements do not purport to present the result of operations or the net income or loss for the period as would a statement of income for a profit-type organization.

**LONG BEACH UNIFIED SCHOOL DISTRICT
MEASURE K AND MEASURE E BOND BUILDING FUNDS**

**NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2018**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 Bond Funds 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 Bond Funds are determined by its measurement focus. The Bond Funds are 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 Bond Funds 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 those estimates.

NOTE 2: DEPOSITS – CASH IN COUNTY TREASURY

In accordance with Education Code Section 41001, the District maintains substantially all of its cash in the Los Angeles County Treasury as part of the common investment pool. The District is considered an involuntary participant in the investment pool. These pooled funds are recorded at amortized cost which approximates fair value. Fair value of the pooled investments at June 30, 2018 is measured at 98.6604% of amortized cost. The District’s deposits in the fund are considered to be highly liquid.

The county is authorized to deposit cash and invest excess funds by California Government Code Sections 53601, 53635, 53534 and 53648. The county is restricted to invest 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

**LONG BEACH UNIFIED SCHOOL DISTRICT
MEASURE K AND MEASURE E BOND BUILDING FUNDS**

**NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2018**

NOTE 2: DEPOSITS – CASH IN COUNTY TREASURY

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.

The county investment pool is not registered as an investment company with the Securities and Exchange Commission (SEC) nor is it an SEC Rule 2a7-like pool. California Government Code statues and the County Board of Supervisors set forth the various investment policies that the Country Treasurer follow. The method used to determine the value of the participant's equity withdrawn is based on the book value, which is amortized cost, of the participant's percentage participation on the date of such withdrawals.

The pool sponsor's annual financial report may be obtained from the Los Angeles County Public Affairs Office, Kenneth Hahn Hall of Administration, 500 W. Temple St, Room 358, Los Angeles, CA 90012.

NOTE 3: BONDED DEBT

Measure K

On November 4, 2008, the voters approved the issuance of bonds, not to exceed \$1,200,000,000. Bonds under this measure will be used to finance the acquisition, construction, rehabilitation and equipping of classrooms and school facilities within the District, and to pay the costs of issuing each series.

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 in addition to financing authorized capital projects of 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. 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.

**LONG BEACH UNIFIED SCHOOL DISTRICT
MEASURE K AND MEASURE E BOND BUILDING FUNDS**

**NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2018**

NOTE 3: BONDED DEBT

On May 15, 2013, the District issued General Obligation Bonds, Election 2008, Series C of \$50,000,000 serial bonds.

On February 19, 2015, the District issued General Obligation Bonds, Election 2008, Series D of \$180,000,000 current interest serial bonds and Series D-1 of \$89,998,410 capital appreciation bonds.

On April 14, 2016, the District issued 2016 General Obligation Refunding Bonds (2016 Refunding Bonds) of \$139,370,000. The bonds were issued to advance refund certain outstanding general obligation bonds, including Measure K, Series A. As such, \$105,615,000 of the Measure K, Series A bonds were advance refunded through the deposit of the proceeds into an irrevocable escrow account for future repayment. The outstanding balance is scheduled for final redemption by August 1, 2019. The 2016 Refunding Bonds are reported in the basic financial statements of the District.

On February 28, 2017, the District issued General Obligation Bonds, Election 2008, Series E of \$150,000,000 serial and term bonds.

Payments

Interest due is payable semi-annually on February 1 and August 1 of each year. The principal with respect to the bonds is payable upon maturity or upon redemption in whole or in part at the corporate trust office of the Paying Agent. The bonds are issuable as fully registered bonds in denomination of \$5,000 or any integral multiple thereof.

Capital appreciation bonds were issued as part of the Measure K, Series B issuance with maturity dates from August 1, 2014 through 2035; and capital appreciation bonds were issued as part of the Measure K, Series D-1 issuance with maturity dates from August 1, 2026 through 2039. Prior to the applicable maturity dates, each capital appreciation bond will accrete interest on the principal component, with all interest accruing through the applicable maturity date and payable only upon maturity or prior payment of the principal component.

**LONG BEACH UNIFIED SCHOOL DISTRICT
MEASURE K AND MEASURE E BOND BUILDING FUNDS**

**NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2018**

NOTE 3: BONDED DEBT

The outstanding general obligation bonded debt of the District at June 30, 2018 is:

<u>General Obligation Bonds</u>	<u>Date of Issue</u>	<u>Date of Maturity</u>	<u>Interest Rate %</u>	<u>Amount of Original Issue</u>	<u>Outstanding June 30, 2018</u>
Series A	4/7/2009	8/1/2033	3.50-5.00	\$ 260,000,000	\$ 37,990,000
Series B	4/19/2011	8/1/2035	7.26-7.33	3,020,686	3,020,686
Accreted Interest					3,506,756
Series B-1	4/19/2011	8/1/2025	5.314-5.914	72,406,000	72,406,000
Series C	5/15/2013	8/1/2037	1.00-4.00	50,000,000	34,010,000
Series D	2/19/2015	8/1/2043	3.00-4.00	180,000,000	159,330,000
Accreted Interest					11,386,468
Series D-1	2/19/2015	8/1/2039	3.33-4.31	89,998,410	89,998,410
Series E	2/28/2017	8/1/2047	4.00-5.00	150,000,000	150,000,000
Total				<u>\$ 805,425,096</u>	<u>\$ 561,648,320</u>

The annual debt service requirements to maturity as of June 30, 2018 are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Accreted Interest</u>	<u>Total</u>
2019	\$ 17,685,000	\$ 19,709,299	\$	\$ 37,394,299
2020	16,180,000	18,910,824		35,090,824
2021	8,636,000	18,310,828		26,946,828
2022	4,010,000	17,984,119		21,994,119
2023	15,465,000	17,421,520		32,886,520
2024-2028	66,072,158	79,310,162	5,232,842	150,615,162
2029-2033	33,497,974	89,939,898	22,087,026	145,524,898
2034-2038	61,575,976	146,326,875	81,944,025	289,846,876
2039-2043	158,322,988	98,471,960	44,937,010	301,731,958
2044-2048	165,310,000	14,199,150		179,509,150
Total	<u>\$ 546,755,096</u>	<u>\$ 520,584,635</u>	<u>\$ 154,200,903</u>	<u>\$1,221,540,634</u>

Measure E

On November 8, 2016, the voters approved the issuance of bonds, not to exceed \$1,500,000,000. The bonds will be issued for the purpose of paying for the cost of new construction, reconstruction or modernization of some or all of the schools within the District.

On February 28, 2017, the District issued General Obligation Bonds, Election 2016, Series A of \$300,000,000 serial and term bonds.

**LONG BEACH UNIFIED SCHOOL DISTRICT
MEASURE K AND MEASURE E BOND BUILDING FUNDS**

**NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2018**

NOTE 3: BONDED DEBT

Payments

Interest due is payable semi-annually on February 1 and August 1 of each year. The principal with respect to the bonds is payable upon maturity or upon redemption in whole or in part at the corporate trust office of the Paying Agent. The bonds are issuable as fully registered bonds in denomination of \$5,000 or any integral multiple thereof.

The outstanding general obligation bonded debt of the District at June 30, 2018 is:

General Obligation Bonds	Date of Issue	Date of Maturity	Interest Rate %	Amount of Original Issue	Outstanding June 30, 2018
Series A	2/28/2017	8/1/2047	4.00-5.00	\$ 300,000,000	\$ 300,000,000
Total				<u>\$ 300,000,000</u>	<u>\$ 300,000,000</u>

The annual debt service requirements to maturity as of June 30, 2018 are as follows:

Year Ending June 30,	Principal	Interest	Total
2019	\$ 31,915,000	\$ 13,392,250	\$ 45,307,250
2020	24,645,000	11,796,500	36,441,500
2021	27,340,000	10,564,250	37,904,250
2022		9,197,250	9,197,250
2023		9,197,250	9,197,250
2024-2028	14,125,000	45,986,250	60,111,250
2029-2033	23,825,000	44,159,750	67,984,750
2034-2038	51,585,000	38,083,000	89,668,000
2039-2043	82,585,000	27,589,000	110,174,000
2044-2048	43,980,000	12,375,400	56,355,400
Total	<u>\$ 300,000,000</u>	<u>\$ 222,340,900</u>	<u>\$ 522,340,900</u>

NOTE 4: PURCHASE COMMITMENTS

As of June 30, 2018, the District was committed under various capital expenditure purchase agreements for Measure K and Measure E bond projects totaling approximately \$323.3 million. Projects will be funded through bond proceeds.

**LONG BEACH UNIFIED SCHOOL DISTRICT
MEASURE K AND MEASURE E BOND BUILDING FUNDS**

**NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2018**

NOTE 5: CONTINGENCIES

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 or Measure E Bond Building Funds financial statements.

**INDEPENDENT AUDITORS' 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
Citizens' Oversight Committee
Long Beach Unified School District
Long Beach, California

We have audited, in accordance with the 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 financial statements of the Measure K (November 2008) and the Measure E (November 2016) Bond Building Funds of the Long Beach Unified School District (the District), as of and for the year ended June 30, 2018, and the related notes to the financial statements as listed in the table of contents, and have issued our report thereon dated November 27, 2018.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over 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 entity's 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 AUDITORS' 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 financial statements of the Measure K (November, 2008) and the Measure E (November 2016) Bond Building Funds are free from 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 noncompliance 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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



CliftonLarsonAllen LLP

Glendora, California

November 27, 2018

**LONG BEACH UNIFIED SCHOOL DISTRICT
MEASURE K BOND FUND AND MEASURE E BOND FUNDS**

**SCHEDULE OF FINDINGS AND RESPONSES
June 30, 2018**

There were no findings related to the financial audit of the Measure K or the Measure E Bond Building Funds for the year ended June 30, 2018. In addition, there were no findings related to the financial audit of the Measure K Bond Building Fund for the year ended June 30, 2017.

**PERFORMANCE AUDIT
OF THE
MEASURE K AND MEASURE E BOND PROGRAMS**

INDEPENDENT AUDITORS' REPORT

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

We have conducted a performance audit of the Long Beach Unified School District (the District) Measure K and Measure E bond funds for the year ended June 30, 2018.

We conducted our performance audit in accordance with *Government 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 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 20 of this report which includes determining the District's compliance with the performance requirements for the Proposition 39 Measure K and Measure E bond funds under the applicable provisions of Section 1(b)(3)(C) of Article XIII A of the California Constitution. 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, the District expended Measure K and Measure E bond funds for the fiscal year ended June 30, 2018, 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.



CliftonLarsonAllen LLP
Glendora, California
November 27, 2018

**LONG BEACH UNIFIED SCHOOL DISTRICT
PERFORMANCE AUDIT OF
THE MEASURE K AND MEASURE E BOND PROGRAMS**

June 30, 2018

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 districts and community colleges under certain circumstances and subject to certain conditions.

Measure K

In November 2008, a general obligation bond proposition (Measure K) of the District was approved by the voters of the District. Measure K authorizes the District to issue up to \$1.2 billion of general obligation bonds to finance various capital projects and related costs, as specified in the bond measure provisions of Measure K.

Measure E

In November 2016, a general obligation bond proposition (Measure E) of the District was approved by the voters of the District. Measure E authorizes the District to issue up to \$1.5 billion of general obligation bonds to finance various capital projects and related costs, as specified in the bond measure provisions of Measure E.

Priority School Project List

The project list section of both the Measure K and Measure E ballot language makes reference to the District's Facilities Master Plan for the specific projects that the District proposes to finance with the proceeds from the bonds. Listed projects are completed as needed at a particular school site according to Board-approved Project Listing Recommendations. The Project Listing Recommendations are formulated by the District's Internal Executive Committee, and reflect recommendations made by the district's Community Advisory Committee.

Citizens' Oversight 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. In December 2016, the Board of Education of the District expanded the scope of the current Measure K Citizens' Oversight Committee and designated it to also serve as the independent bond oversight committee for Measure E.

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 applicable bond measure. The Citizens' Oversight Committee is required to issue at least one report annually as to its activities and findings.

**LONG BEACH UNIFIED SCHOOL DISTRICT
PERFORMANCE AUDIT OF
THE MEASURE K AND MEASURE E BOND PROGRAMS**

June 30, 2018

BACKGROUND INFORMATION

Performance Audit

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 and Measure E Bond Funds have been expended only for the authorized bond projects.

OBJECTIVES

The objectives of our performance audit were to:

- Determine the expenditures charged to the Measure K and Measure E Bond Building Funds.
- Determine whether expenditures charged to the Measure K and Measure E Bond Building Funds have been made in accordance with the bond project lists approved by the voters through the approval of Measure K in November 2008 and Measure E in November 2016.
- Determine that amounts expended on salaries and benefits were only to the extent employees perform work associated with the Measure K and Measure E projects as allowable per Opinion 04-110 issued on November 9, 2004 by the State of California Attorney General.

SCOPE OF THE AUDIT

The scope of our performance audit covered the fiscal period from July 1, 2017 to June 30, 2018. The propriety of expenditures for capital projects and maintenance projects funded through other 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, 2018, were not reviewed or included within the scope of our audit or in this report.

PROCEDURES PERFORMED

- We identified the expenditures and projects charged to the general obligation bond proceeds by obtaining the general ledger and project listing.
- We selected a judgmental sample of expenditures for supplies, services and capital outlay considering all projects for the year ended June 30, 2018. For Measure K, our sample included 118 transactions totaling \$72,506,447. This represents 71% of total expenditures of \$101,569,255. For Measure E, our sample included 100 transactions totaling \$79,946,520. This represents 87% of total expenditures of \$91,665,629.

**LONG BEACH UNIFIED SCHOOL DISTRICT
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June 30, 2018

PROCEDURES PERFORMED

- We reviewed the actual invoices and supporting documentation to determine that expenditures charged to projects were:
 - Supported by invoices with evidence of proper approval and documentation of receipt of goods or services;
 - Supported by proper bid documentation, as applicable;
 - Properly expended on the authorized bond projects as listed on the voter-approved bond project list.
- We selected a judgmental sample of expenditures for employee costs charged to the projects for the year ended June 30, 2018. For Measure K, our sample included employee costs totaling \$778,486. This represents 68% of total expenditures of \$1,142,544. For Measure E, our sample included employee costs totaling \$747,985. This represents 68% of total expenditures of \$1,105,526.
 - We reviewed the payroll register and job description to determine that the amounts expended on salaries and benefits were only to the extent employees perform work associated with the Measure K or Measure E bond projects as allowable per Opinion 04-110 issued on November 9, 2004 by the State of California Attorney General.

**LONG BEACH UNIFIED SCHOOL DISTRICT
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PROCEDURES PERFORMED

Measure K Bond Program

	Expenditures for Fiscal Year Ended <u>6/30/2018</u>
Construction Projects:	
Undistributed	\$ 3,100
Master Plan Projects	4,106,734
ECATS/McBride HS at the former DeMille Site	(175,166) ¹
GTE South Middle School at the former GTE Site	(504,273) ¹
New High School # 2 at the former Browning Site	11,787,184
Avalon Site Wide Environment	372,537
Roosevelt ES New Construction	(149,556) ¹
Jordan High School Major Renovation	9,906,086
DOH Portable Removal Phase I	1,729
Fire Alarm, Intercom & Clock Replacement Phase II	13,455
Fire Alarm, Intercom & Clock Replacement Phase III	3,376,283
Newcomb Middle School AB300 / New Construction	(24,766) ¹
AB300 Projects (Wilson)	61,161
DSA Certification Projects	4,585
Butler Projects	1,039
Telecommunications Phase I	1,648,403
Intercom and Clock System	1,760,097
Security Technology and Infrastructure	55,337
Core Switch and UPS Replacement Phase II	24,450
FacAcqCn - Nelson Academy	47,902
Sato HS Gym AB300 (formerly Hill)	2,833,598
Hamilton MS Gym	(16,862) ¹
Poly Tech HS Auditorium	1,539,354
Wilson AB300	8,686,681
CAMS Technology and Site Improvements	(52,078) ¹
Jordan Major Renovation Phase IV	7,537,410
Wireless & Data Communication Phase II	414,718
Telecommunications Phase II	30,156
Jordan HS Major Renovation II	510,993
Subtotal	53,800,291

1- Reversal of a prior year estimated accrual. Actual expenditure was lower than originally estimated.

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June 30, 2018

PROCEDURES PERFORMED

Measure K Bond Program (continued)

	Expenditures for Fiscal Year Ended 6/30/2018
	\$
Construction Projects:	
Subtotal from previous page	\$ 53,800,291
Jordan HS Major Renovation Phase V	1,333
Jordan HS Major Renovation Phase VI	346
Jordan HS Interim Housing	197,230
New HS#5 - Hill	112,838
Renaissance HS Major Renovation/Addition	19,411,817
Willard Elem Minor Renovation/Addition	2,458
Polytechnic HS ADA	694,437
Lakewood DSA Certification	413
Jordan HS Major Re	2,402,220
Educare/Barton Project	3,585,500
Keller Conversion to Middle School	30,771
Nelson Field Project/Improvement	816
Sato Academy High School Modernization	1,112,401
Lindsey Academy New Field	14,050
Wireless Data Communications - Erate Phase II	4,122,941
Millikan Seismic-Reconstruction	1,724,150
Poly HS Modernization	86,735
Barton Improvements	588,749
Fire Alarm Phase IV	293,143
Environmental Clean Up	15,813
McKinley Interim Housing	4,575
Monroe Interim Housing	24,327
Webster Interim Housing	153,806
Deferred Maintenance FY18	5,407,341
Facilities New Building	602,764
Student Technology Chromebooks	5,652,783
Technology Infrastructure	464,048
Stephens All Weather Field Installation	1,012
Deferred Maintenance FY17	912,016
Security Cameras Phase II	492,352
Deferred Maintenance FY19	789,068
Fire Alarm, Intercom & Clock Replacement Phase V	1,960
Security Improvements	7,295
Total	\$ 102,711,799

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PROCEDURES PERFORMED

Measure E Bond Program

	Expenditures for Fiscal Year Ended 6/30/2018
	6/30/2018
Construction Projects:	
Undistributed	\$ 250
Master Plan Projects	1,740,569
Sato HS Gym	3,652
Jordan Major Renovation PH IV Total	289
Kettering Interim Housing	3,393,595
McKinley Interim Housing	66,262
Monroe Interim Housing	406,334
Riley Interim Housing	3,657,987
Webster Interim Housing	2,527,167
Cabrillo Track & Field	3,192,895
Cleveland HVAC	8,507,613
Jefferson HVAC	1,352,993
Kettering HVAC	7,039,713
Lindsey HVAC	490,565
McKinley HVAC	1,349,566
Riley HVAC	7,257,951
Rogers HVAC	6,327,350
Stephens HVAC	7,511,493
Webster HVAC	1,599,280
Barton HVAC	2,126,124
Bixby HVAC	226,844
Burcham HVAC	757,492
Garfield HVAC	10,658,768
Longfellow HVAC	928,604
MacArthur HVAC	789,492
Mann HVAC	682,622
Muir HVAC	262,483
Stanford HVAC	379,015
Washington HVAC	28,123
Wilson HVAC	391,837
Wilson Track & Field	4,658,452
Poly Track & Field	4,812,619
Lakewood HVAC	1,826,132
Lowell HVAC	562,606
Poly Site Improvements	298,454
Subtotal	85,815,192

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Measure E Bond Program (continued)

	Expenditures for Fiscal Year Ended 6/30/2018
Construction Projects:	
Subtotal from previous page	\$ 85,815,192
Jefferson All Weather Field Installation	88,453
Stephens All Weather Field Installation	4,424,663
Jefferson All Weather Field Installation	808,649
Stanford All Weather Field Installation	4,835
Riley Maintenance Facility Addition	2,660
Jordan Plus Maintenance Facility Addition	2,590
Keller HVAC Total	522,646
Madison ES HVAC	124,182
Cubberley K-8 HVAC	87,689
Millikan HS Track & Field	60,681
Alvarado ES HVAC	369,205
Hughes MS HVAC	162,593
Naples HVAC	80,297
Avalon HVAC	59,460
Hughes All Weather Field Installation	16,326
Cubberley All Weather Field Installation	69,615
Prisk HVAC	69,678
Holmes HVAC	435
Twain HVAC	435
Bancroft HVAC	653
Lakewood All Weather Field Installation	218
total	\$ 92,771,155

**LONG BEACH UNIFIED SCHOOL DISTRICT
PERFORMANCE AUDIT OF
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June 30, 2018

CONCLUSION

The results of our tests indicated that, in all significant respects, the District has properly accounted for the expenditures of the Measure K and Measure E Bond Programs and that such expenditures were made on authorized bond projects. Further, it was noted that the Measure K and Measure E Bond Program funds, were expended for salaries and benefits only to the extent allowable.

**LONG BEACH UNIFIED SCHOOL DISTRICT
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SCHEDULE OF FINDINGS AND RESPONSES

There were no findings related to the performance audit of the Measure K Bond Program for the years ended June 30, 2018 and June 30, 2017. Additionally, there were no findings related to the performance audit of the Measure E Bond Program for the year ended June 30, 2018.