

LONG BEACH UNIFIED SCHOOL DISTRICT
PROPOSITION 39 GENERAL OBLIGATION BONDS
MEASURE K BOND PROGRAM
PERFORMANCE AUDIT

Fiscal Year Ending June 30, 2012

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INDEPENDENT AUDITOR'S REPORT

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 Bond Program funds for the year ended June 30, 2012.

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 conclusion based on our audit objectives.

Our audit was limited to the objectives listed on page 3 of this report which includes determining the Long Beach Unified School District's compliance with the performance requirements for the Proposition 39 Measure K Bond Program under the applicable provisions of 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 Long Beach Unified School 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 Long Beach Unified School 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, 2012 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

November 9, 2012

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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.

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OBJECTIVES

The objectives of our Performance Audit were to:

- Document 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, system weaknesses or non-compliance with specific Education Code Sections (15278-15282) related to oversight of fund expenditures.
- Provide the District Board and the Citizens' Oversight Committee with a performance audit as required under the requirements of the California Constitution of Proposition 39.

SCOPE OF THE AUDIT

The scope of our Performance Audit covered the fiscal period from July 1, 2011 to June 30, 2012. The expenditures tested included a sample of expenditures from all object and project codes associated with the bond projects. 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, 2012, were not reviewed or included within the scope of our audit or in this report.

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PROCEDURES PERFORMED

We obtained the general ledger and the project expenditure reports prepared by the District for the fiscal year ended June 30, 2012, for the Measure K Bond Program funds. 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 and 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, 2012, and reviewed supporting documentation to ensure that such funds were properly expended on the authorized bond projects.
- The District expended \$75,349,479 during fiscal year ended June 30, 2012 on the projects outlined on the following page. Our sample included 55 transactions totaling \$45,132,212 which represents 60% of total expenditures.

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PROCEDURES PERFORMED (continued)

<u>Construction Projects</u>	Expenditures for Fiscal Year Ended 6/30/2012
Undistributed	\$ 250
Master Plan Projects	9,794,348
McBride High School	38,426,122
Nelson Middle School	15,444,496
New High School # 2 at the former Browning Site	672,113
Roosevelt Elementary School New Construction	2,240,826
Jordan High School Major Renovation	2,486,386
Cabrillo High School Pool	494,735
Department of Housing Portable Removal Phase I	332,599
Portable Removal Phase I	382,016
Lighting & Ceiling Replacement Phase I	374,500
Fire Alarm, Intercom & Clock Replacement	349
Boiler Replacement Phase I	208,904
Newcomb Middle School AB300	2,174,181
AB300 Projects (Wilson)	10,513
Bancroft Middle School Gymnasium	61,650
Division of State Architect Certification Projects	545,536
Jordan Freshman Academy Projects	195,686
Access Compliance American with Disabilities Act Improvement Phase I	100,869
Lakewood Department of Housing Portable Removal	63,294
Core Switch and Uninterruptable Power Supply Replacement Phase II	817,826
Wireless Data Communication	224,706
Harte Deportablization and Restroom	73,721
Hill Middle School Gymnasium	44,633
Hamilton Middle School Gymnasium	67,949
Hoover Middle School Gymnasium	71,653
Poly Tech High School Auditorium	5,000
Poly Tech High School Division of State Architect Certification	34,618
	<u>\$ 75,349,479</u>

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PROCEDURES PERFORMED (continued)

- We verified 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.

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.